

# Public Utilities

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## How Better Utility Regulation Can Be Achieved

Cease sparring for legal advantage, says the author, and adopt the sliding-scale method of rate adjustment. Satisfactory results of the so-called "Washington Plan" of rate control.

By RILEY E. ELGEN

CHAIRMAN OF THE PUBLIC UTILITIES COMMISSION  
OF THE DISTRICT OF COLUMBIA

NATIONAL interest in better regulation of utilities is manifest in the many inquiries received concerning the so-called "Washington Plan." State legislatures have appointed special committees to investigate, among other matters, the processes of regulation in the District of Columbia with a view to the adoption of methods designed to achieve similar results. At the invitation of some of these states the "Washington Plan," its history, workings, and accomplishments, and applicability to other localities, has been explained at

public hearings. Requests for similar information and advice have been received from a multitude of communities, individuals, institutions of learning, educators, financial houses, and others.

These things are true despite the fact that regulation is not in its infancy. Chief Justice Waite, in delivering the opinion of the Supreme Court of the United States (1877), in one of the early "granger" railroad cases, said:

In 1691, during the third year of the reign of William and Mary, Parliament provided for the regulation of the rates and

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charges by common carriers . . . the power of regulation existed from the beginning.

In another case the court said:

It has been customary in England from time immemorial, and in this country from its colonization, to regulate ferries, common carriers, etc.

Regulatory practices have improved with clarifying decisions of the courts. And today little doubt should exist in the minds of members of state regulatory bodies as to the proper course to pursue with respect to certain fundamentals if they would avoid adverse court decisions on valuation and rate orders.

**A** STRICT following of the orthodox manner of fixing rates is cumbersome and results in long delays between rate adjustments. In the meantime, the utilities are able in many instances to retain earnings greatly in excess of those which would be reasonable.

Those charged with the duty of regulating the rates and services of utilities have heard their efforts analyzed publicly by many. Frequently these analyses are critical of the results accomplished. They seldom are complimentary. Few of those who criticize publicly the efforts of regulatory bodies have had similar responsibilities to perform. A careful study will disclose that many who hold the views that "state regulation has failed" are connected with institutions of higher education and without practical experience in the field of which they are critical.

To say that regulation has failed implies that a standard of comparison has been set up. It follows that the conclusion must have been reached

that the progress in the field of unregulated necessities of life was greater than in that of regulated utilities. However, such a conclusion is not supported by facts, if cost to the public is a test.

**I**F the answer to these reiterations of the failure of state regulation should intrigue you to the extent that you have a desire to determine for yourself wherein it is true, if at all, you might select utility rates, or cost to the public, on one hand, and living costs not subjected to regulation, on the other, to test such claims. The major items in the latter category would be insurance, fuel, milk, food, clothing, and rents. If you do not care to do this yourself the Bureau of Statistics of the Department of Labor can furnish you with trends of regulated and unregulated costs of living. The comparison of those two trends will not reflect discredit on the efforts of state regulatory bodies.

On the other hand, Federal government regulated transportation costs at the end of 1934 remain about 40 per cent higher than similar costs prevailing at the end of 1913, while state regulated power rates are 30 per cent below the 1913 level. Notwithstanding these facts, the financial condition of the railroads as a whole is vastly inferior to that of utilities as a whole.

The object of any regulatory body should be to achieve results most expeditiously. There are some phases of regulation where the speed of action varies directly with the will to do.

**H**OWEVER, in the matter of rate adjustment, although time is more of the essence of such actions than in any other, the possibilities of attaining

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speedy results are meager. This is particularly true if resort is had to the usual legal methods. To test rates first by preparing a valuation, with all its attendant delays, then going through all the legal folderols essential to the support of any conclusions a commission may draw from the evidence adduced, requires long preparations in advance of hearing, extended periods of hearing the evidence, and further delays while briefs or oral argument are prepared. The commission, of necessity, must consider the evidence in the light of controlling court decisions. This usually requires additional time.

During all this period of valuation making, hearings, briefs, and getting out the opinion and order, a very considerable amount of time must elapse. The elapsed time from the beginning of such an investigation until rates are fixed depends upon the complexities of the property involved, the thoroughness of the preparations made in advance of hearing, the methods by which attorneys try their cases, which usually reflect their views on the character of evidence required to protect either the public or private interest, the extent of the briefs or oral arguments, as well as other commitments which the attorneys and witnesses of the company or the meager staff of the ordinary regulatory body has to meet. This elapsed time represents, in part, the period in which,

according to law, any earnings in excess of a fair return enjoyed by a utility cannot be recovered from it by the public, no matter how excessive it may be.

As a rule, the expense of conducting such a case is appalling if the job is done thoroughly by both the commission and the utility; if done cheaply by the commission the public interest suffers as it is only through the most careful preparations that the maximum benefits can be achieved for the public. The commission is at a great disadvantage usually because of the lack of money to employ a thoroughly trained and seasoned organization. Then there is, almost always, the inevitable court battles, frequently delaying the benefits to the public for many years, the intensity of the litigation usually depending upon the thoroughness of the commission's opinion or the soundness of its orders. The nearer correct the commission's conclusions are, the greater the legal battle.

Now all this is repugnant to the public, and rightly so. By such processes regulation, however conscientiously performed, falls into disrepute and the public relations of the utility companies are seriously impaired. The accumulation of these regrettable occurrences in many jurisdictions contributes materially to the enactment of restrictive utility legislation and fre-



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quently results in the demand for publicly owned utilities.

**T**HERE can be no question that the public is willing to pay a reasonable profit to those who render public service. If the public did not anticipate the payment of a profit it would not employ private interests to perform a service it can do for itself. If the utility will be satisfied with only a fair profit and aid the public in every reasonable manner in the determination of such profits there would be less of suspicion and more of satisfaction prevalent in the mind of John Citizen. That may sound utopian and altogether too altruistic to anticipate, but, as a matter of fact, if the public utilities were more visibly appreciative of the privileges granted them in the franchises they enjoy, the public they serve would reciprocate in a most substantial manner. If there is suspicion of private utility service the cause should be sought and removed.

In order to function best the resources of regulatory bodies must be equal to the tasks imposed by law. The cash money outlay of the citizens in most large cities ordinarily aggregates for utility services a sum of money far greater than for taxes. Therefore, the machinery of regulation of utilities should be studied at least as seriously as that of the taxgatherers. An understaffed and poorly equipped regulatory body is no more likely to furnish the service required of it than a utility similarly situated is to furnish good service at reasonable rates.

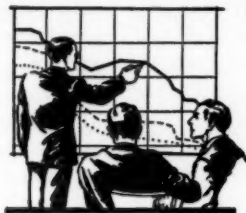
**W**HILE some justification for the existence and use of present-day methods of rate regulation may be

demonstrated, better methods of adjusting utility rates are not only desirable but mandatory. In this respect regulation can and should be improved. There is serious need for simplicity in the processes. To that end the efforts of the District of Columbia commission have been directed for many years. The "Washington Plan" is a direct result of a desire for simplicity in regulation. This same plan, with suitable modifications to make it adaptable, was ordered (No. 1458) by this commission on Friday, the 13th day of last December, for the regulation of the rates, tolls, and charges of the Washington and Georgetown Gas Light Companies operating within the District.

In order that the past history of the so-called "Washington Plan" may be understood, it is necessary to give you a small picture of the set-up in the District of Columbia. You should know also that the Potomac Electric Power Company serves the District of Columbia, the adjacent territory in Maryland, and, through a subsidiary, some of the adjacent territory in Virginia. Shortly after the public utilities commission of the District of Columbia came into being in 1913 it commenced a valuation of the property of the power company. The commission fixed the value of this property on May 2, 1917. Shortly thereafter an order was issued establishing new rates for electricity.

**T**HE power company appealed from the order of the commission fixing value and from its order fixing rates. However, the validity of the rate order depended upon a final determination of the value of the





### Rate Reductions under "Washington Plan"

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company's property. These matters dragged on from 1917 to 1924, during which time the power company continued to charge the rates in effect prior to the granting of the injunction, but impounded the difference between the billing rates and the rates ordered by the commission from time to time during this 7-year period.

Even in 1924, after the valuation case had been pending for seven years, there seemed to be no prospect of an early conclusion.

The act of Congress creating the commission authorized the fixing of rates in accordance with a sliding-scale arrangement, provided, after investigation, it was found by the commission to be practicable and advantageous and to be reasonable and just to all parties. The commission considered the possibility of making such an arrangement, and concluded that it would be proper to do so. The details were then worked out jointly by the commission and the representatives of the company. Both parties then

went before the court, announced that they had settled all questions in controversy, and asked the court to embody the details of such settlement in a decree, thereafter generally known as the "Consent Decree," or "Washington Plan."

**T**HIS fixed the value of the company's property as of January 1, 1925; established depreciation accrual rates based upon the relation between the depreciation reserve and the value of the property; and provided that the rate base for each year should be ascertained by adding to the rate base at the end of the preceding year the cost of the net additions and betterments during the year, undepreciated but weighted.

It further provided that if in any year the net return upon the rate base should be in excess of  $7\frac{1}{2}$  per cent, rates for the following year should be fixed so that the gross receipts of the power company should be diminished by one half of such excess. It also

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provided that if the net return should fall below  $7\frac{1}{2}$  per cent by varying amounts over different periods of time, the commission should promptly increase rates so as to yield  $7\frac{1}{2}$  per cent.

Up to and including the year 1931, rates were fixed under the terms of the scale recited above, and each year rates were reduced.

There is little doubt that when this sliding-scale arrangement was made, it was the expectation of the commission and the company that the latter's earnings would probably be somewhere in the neighborhood of the  $7\frac{1}{2}$  per cent return stipulated, and that if in any year this rate of return was exceeded, the rate reduction for the following year would bring the rate of return back to about that figure.

**T**HE greatly increased use of electricity through the advent of many new electrical appliances was not foreseen in 1924. The various uses of power and the lowering of rates resulted in increased business for the company each year. Gross receipts and net operating revenue each year were larger than for the year preceding. The average rate of return earned upon the company's rate bases for these years was about 10 per cent.

Early in 1931 the commission called the company's attention to the excessive earnings and suggested that the terms of the sliding scale should be modified to bring about a lesser rate of return. The company declined to consider any modification of the sliding-scale provisions. The commission on June 8, 1931, issued an order modifying the terms of the sliding scale

so as to provide that if the rates thereafter yielded more than 7 per cent in any twelve months' period, a certain part of the excess over and above 7 per cent should be used in a reduction of rates to be charged the public on the basis of a sliding scale.

The company appealed to the court asking that the order be set aside. The supreme court of the District of Columbia sustained the order of the commission with certain minor changes in the terms of the sliding scale. The company appealed from the decision of the trial court. However, on the 6th of February, 1933, before the case was heard, the company abandoned its appeal.

**T**HIS settlement provided that the decision of the lower court in so far as it related to the power of the commission to modify the terms of the sliding-scale arrangement, should stand. This means that the power of the commission to modify the terms of a sliding-scale arrangement cannot be questioned, except that a utility has the right to appeal upon the ground of unreasonableness. The company also has the right at any time to apply to the commission to make changes in any sliding scale deemed proper under the circumstances.

This legal controversy (1931-1933), however, did not interfere with the annual operation of the plan. The settlement of this case set up what is in effect a new sliding scale. We corrected some defects, obtained a fairer treatment of excess earnings, and established our right to alter any such plan after its original adoption. We regard the principles thus established as the turning point in this kind

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of regulation. We claim no perfection for the so-called "Washington Plan." Indeed, it is far from perfect. However, every year since 1924 rates have been reduced in January, after public hearing lasting one day or less period. Rates were reduced further in January, 1936. After all, the test of quality of regulation from the public point of view is the perfection of the service and cost. The test from the utility point of view is the reasonableness of the pay it receives for the public service.

**Y**OU may be interested in conditions of use and sale of power since the "Washington Plan" was originally established in 1924. At that time the maximum rate which the people were paying for electric current was 10 cents per kilowatt hour. It is now 3.9 cents per kilowatt hour. The average price per kilowatt hour for all power sold in 1924 was 4.1 cents. This has been reduced to 2.14 cents per kilowatt hour so far in 1935. The number of kilowatt hours sold in 1924 was 146,700,000; the number sold in 1934 was 548,100,000. The total amount of savings in dollars reflected in rate reductions to the public so far aggregate \$8,500,000. The surplus of the company has increased by \$21,500,000 since 1924. The investment has more than doubled. The rate base has increased from \$32,500,000 in 1924 to \$66,000,000 at the end of 1934.

All of this goes to illustrate the tremendous field which is here present and awaiting only proper rates and services for its development.

The types of service involved in the operation of the Potomac Electric Power Company are urban, suburban, and rural.

Our urban residential schedule, established in January, 1935, is 3.9 cents per kilowatt hour for the first 50 kilowatt hours, 1.9 cents for the next 100 kilowatt hours, and 1.5 cents for all electricity consumed monthly in excess of 200 kilowatt hours.

**T**HE government rate was, on the average, 2.44 cents per kilowatt hour in 1926, and 1.24 cents per kilowatt hour in 1935. Due to the use of air conditioning by the government in August of last year the average rate paid per kilowatt hour for that month was .96 cents.

The number of customers in 1925 was 89,638, as compared with 167,310 in 1935. The average annual consumption of kilowatt hours per domestic customer was 456 in 1926 and the average price was 6.73 cents. In 1935 the consumption was 993, an increase of 118 per cent since 1926, the average price being 3.35 cents, a reduction of 50 per cent. The number of kilowatt hours per domestic customer for the United States for the year of 1926 was 427, and the average price was 7 cents per kilowatt



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hour. For the twelve months ended August 30, 1935, the national average was 656, an increase of 54 per cent since 1926, with an average price of 5.15 cents per kilowatt hour, a reduction of 26.5 per cent.

The production expense in 1924 was .857 cents per kilowatt hour as compared with .390 cents in 1935. This indicates clearly that the bus bar cost has reached such a level that any material economies must flow from the operating costs in the transmission and distribution of current. The Potomac Electric Power Company uses steam in the generation of its current. There is also a tie line connection with a hydro plant at Safe Harbor, Pennsylvania, which is used for the interchange of excess power from either plant.

**T**HERE seems ample opportunity to increase the present load by the sale of refrigerators, air conditioning, and other electrical appliances. It is not beyond the realm of possibility that electricity may be used for space heating in the not distant future. Such use depends to a considerable extent on greater efficiency, economy, and improvement in the method of transmission and distribution of electric current. The use of electricity is still in its infancy.

There is keen competition between the Potomac Electric Power Company and the Washington Gas Light Company for the heat and power business in Washington. These two companies are separately owned and each is alive to its own needs. That is a point which should not be overlooked. Competition between companies selling gas and those selling electric cur-

rent to virtually the same customers has the effect of keeping each anxious for good public relations, which is one of the greatest assets, if not the greatest, of any public utility.

At this point it might be of interest to you to know that our rates to residential customers for manufactured gas in the District of Columbia are the lowest in the United States, on the basis of the heat units purchased.

Will the sliding-scale form of regulation work as well in other localities as in the District of Columbia? This is a question, no doubt, that you would like answered. Without categorically answering the question propounded, it is important that all regulatory bodies take stock of their present situation.

**R**EGULATION is pursued too frequently in a purely legalistic manner. Great legal battles are staged. The public is impressed, but frequently not helped. Such a course of action, if required by law, is to be deplored. The rate-paying public has little interest in such battles, except when it has to pay the bills. Both those responsible for regulation and for furnishing public service must realize they are servants of the public and only worth their hire if they serve well and faithfully. Both should remember that the ratepayers are entitled to fair rates and adequate service.

It is not reasonable that those affected should have to await a prolonged proceeding in order to ascertain whether or not the rate determined is proper.

If you want better regulation you must first provide a better basic law.



### Need for Simplification of Rate Regulation

**“UNLESS** simplification of regulation can be achieved, the public will continue to pay excess rates, this because the courts say, on the one hand, that you cannot legally establish rates lower than will provide a fair return on the value of the property used in the public service, and, on the other hand, that you cannot recapture excess earnings.”

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Regulation can be no better than the law which governs it. Neither can you obtain a full measure of regulation without appropriating sufficient funds for its conduct.

Government can, if it chooses, furnish public utility service in the same manner as it furnishes water, garbage collection, and other services. If, however, the public elects to hire private enterprises to do this, it should be anticipated that a reasonable profit must be paid for the service rendered.

**T**HE difficulty arises in finding a simple measuring stick by which the pay of the private parties is to be determined. Unless fair-minded men meet this matter in a sincere effort to seek only a just settlement of it, the public suffers more often than the utility. The law libraries of this land are filled with volumes of decisions of courts which either indict the good judgment of regulatory authorities or the integrity of the private service

companies, and in some instances both.

To meet this condition, thought has been given in some quarters to ways and means of testing rates annually by some workable formula. Such a method is desirable, both from the public point of view and sound business judgment of the utilities, if the rights of each are amply protected in the formula. The so-called sliding-scale method of adjusting rates is the outcome of a desire on the part of both the public and private interests to cease sparring for legal advantage, and to adjust differences in accordance with a definite plan instead of under cover of legal precedents frequently dating back to the hackney days of old England, long before the needs of modern civilization or present-day utilities were ever dreamed of.

The advantages of this form of adjusting rates over the purely legalistic method of rate regulation lie in the ease and promptness with which results can be accomplished, and in the



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reduction of controversies to the limits outlined in the governing instrument.

**W**HEN a sliding-scale arrangement is established whereby profits of the utility are limited to a definite mathematical determination and where excesses are to be divided on a basis which lends encouragement to business to exert greater effort in the hope of greater gain, the public has a peculiar interest in the operations of such a utility. In this respect the public should be as well informed about future plans and business prospects as the company. To that end every sizable utility, operating under a sliding scale, should provide, as a part of the arrangement, the necessary funds for the employment of a suitable staff of engineers and accountants to be attached to the personnel of the governing body, sufficient to police the activities of the utility so that the regulatory body may be as well informed as the utility on present and prospective property changes, earnings, and expenses. Unless the minds of those who regulate such a plan are satisfied in this manner, doubt and suspicion will result, and dissatisfaction will disrupt the arrangement ultimately. Furthermore, no one can regulate utilities intelligently by any method without complete knowledge of their operation.

The difficulty of establishing a sliding-scale form of regulation lies mostly in obtaining the base. Such difficulties would not be experienced in communities where simple property units have to be appraised but would exist where complex plants of wide ramifications are found.

**T**HE steps essential to the establishment of a sliding-scale method of regulation are simple and may be classified broadly under three phases:

1. First, in order to establish such a method, a simple but explicit law must be enacted enabling the governing body to pursue that course. Such a law must contemplate a willingness on the part of the utility to accept only a reasonable profit for the use of its property devoted to public service.
2. The second phase of establishing a sliding scale would contemplate a substantial and unmistakable move on the part of the utility indicating its fair mindedness in dealing with the public.
3. The next phase is the establishment of a rate base, the rate of return to be allowed thereon, and the form and operating conditions.

The sliding-scale theory contemplates that all parties will approach the matter on a live and let live basis. Its administration, likewise, contemplates straight dealing.

Unless simplification of regulation can be achieved, the public will continue to pay excess rates, this because the courts say, on the one hand, that you cannot legally establish rates lower than will provide a fair return on the value of the property used in the public service, and, on the other hand, that you cannot recapture excess earnings.

**I**T follows, therefore, that if earnings show only a moderate upward trend, irrespective of forecasts contemplated by law, the time required between one rate adjustment and another, made in accordance with ordinary regulatory practices, always results in leaving in the hands of the utility any excesses which have ac-



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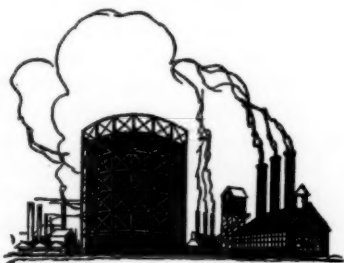
cumulated between periods of rate adjustments. Of course, utilities will contend that the reverse would be true in times of declining earnings. They, however, are in a far better position to say when they need an adjustment upward than the regulatory body is to ascertain when earnings have risen above a reasonable rate of return.

Where regulation is conducted by the sliding-scale method both the regulatory body and the utility have equal opportunities to determine when either is entitled to rate adjustments, and unrecoverable losses or excesses are reduced to a minimum.

I want to say in all frankness, based upon thirty-two years of continuous public service, about equally divided in point of time between the regulated

and the regulator, that until some method of regulation is achieved by which the public can feel confident that it is getting a square deal, and which is susceptible of prompt check, dissatisfaction will prevail. Those who now enjoy an opportunity, by virtue of government franchises, to furnish service to the public should be the first to recognize this and should do all possible to remove public suspicion from them.

Whether or not a success can be made of a sliding-scale method of rate regulation will depend largely upon the willingness of companies to be fair in their demands, and the willingness on the part of regulatory bodies to recognize only reasonable rates and service conditions.



### A New Field for Illuminating Gas

GERMANY, according to a recent Berlin dispatch, is experimenting with auto busses driven with ordinary lighting gas, hoping thus to reduce the expenditures she is compelled at present to make on the purchase of foreign motor fuel. The experiments have proved so successful that the first busses are now to be placed on the Berlin streets.

The use of ordinary gas as fuel is said to entail little alteration to the busses hitherto run on gasoline. Only a simple and inexpensive addition to the motor is required, and the gas is carried in special flasks.

A "tanking station" has been established at one of the municipal gas works. Here the gas is first compressed—at such high pressure that a small flask will contain sufficient to drive a bus for 50 miles. The tanking is carried out in the customary manner, the tubing being of specially reinforced metal capable of withstanding the pressure.



## The Quoddy Yardstick

*This Federal tidal power project located in the midst of a series of salt water bays on the extreme eastern tip of the state of Maine, whether considered from the standpoint of the engineer or of the business man, is, in the opinion of the author, a monumental folly.*

By HORACE R. THAYER

ON the extreme eastern tip of Maine, likewise the extreme eastern point of the United States, lies the little village of Eastport, a town of about 4,000 inhabitants. The principal industry is fishing. The town is in the midst of a series of salt-water bays: on the east or Canadian side is the Passamaquoddy Bay, named from an Indian tribe, the remnants of which still live in the vicinity; on the west or American side is Cobscook Bay. Eastport is also at the mouth of the Bay of Fundy, remarkable for the height of its tides; at Eastport the average variation is 19 feet with a maximum of about 25 and a minimum of 13; farther up the bay a difference of 62 feet has been recorded.

Eastport seems a very quiet, in fact a sleepy, town. For some time previous to the very recent activity its population has been stationary or perhaps diminishing. The inhabitants appeared to be unable to translate the

natural loveliness of the spot into actual prosperity measured in dollars and cents. It has been far away from the current of science and industry. But all this has been changed; for now a modern Don Quixote is to break lances, not with the windmills of sunny Spain but with the rock-bound shores of the old New England coast.

However, this seeming lethargy of the past is but a mask; for it is a land of romance and of romancing. President Roosevelt's summer home is in the harbor, strange to say though, on the Canadian side. It was a theater of conflict in the War of 1812. For a long time after the Revolution, England claimed and exercised sovereignty here. It was at one period headquarters for extensive smuggling operations, for which its topography is well adapted. A whirlpool in which ships have been sucked down to the bottom of the sea is said to exist in this famous harbor at certain stages of the tide. Now comes perhaps the

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most colorful incident of all, one which combines the personality of a Doctor Cook, the sincerity of a Munchausen, and the reliability of the South Sea Bubble. For here the taxpayers' money is to be squandered in an enterprise without a parallel in its disregard of the principles of prudent investment, an enterprise without a possible chance for a successful issue.

**H**ERE the administration proposes to build an immense plant of 450,000 horsepower capacity for generating electric current; however due to fluctuations the real effective capacity of the plant will be only about 120,000 horsepower. Unfortunately, an exact description cannot be given at present because the complete plans are not yet available. Nevertheless, an allocation of \$5,000,000 out of an estimated total of \$36,000,000 has actually been made.

The necessary power for the plant will be obtained by utilizing the energy of the varying tides; Cobscock Bay is to be kept at about low tide. For seven hours around high tide the water will turn large wheels as it runs into the bay. Then there will be a two-hours' wait as the water in the ocean falls, next at low tide Cobscock Bay will discharge the water which has run in and finally there will be a wait until the tide has risen high enough to turn the wheels. Then the entire operation will be repeated.

The probable proposed arrangement is shown in the map on page 544. Very likely it may be changed as a result of the surveys which are now being made.

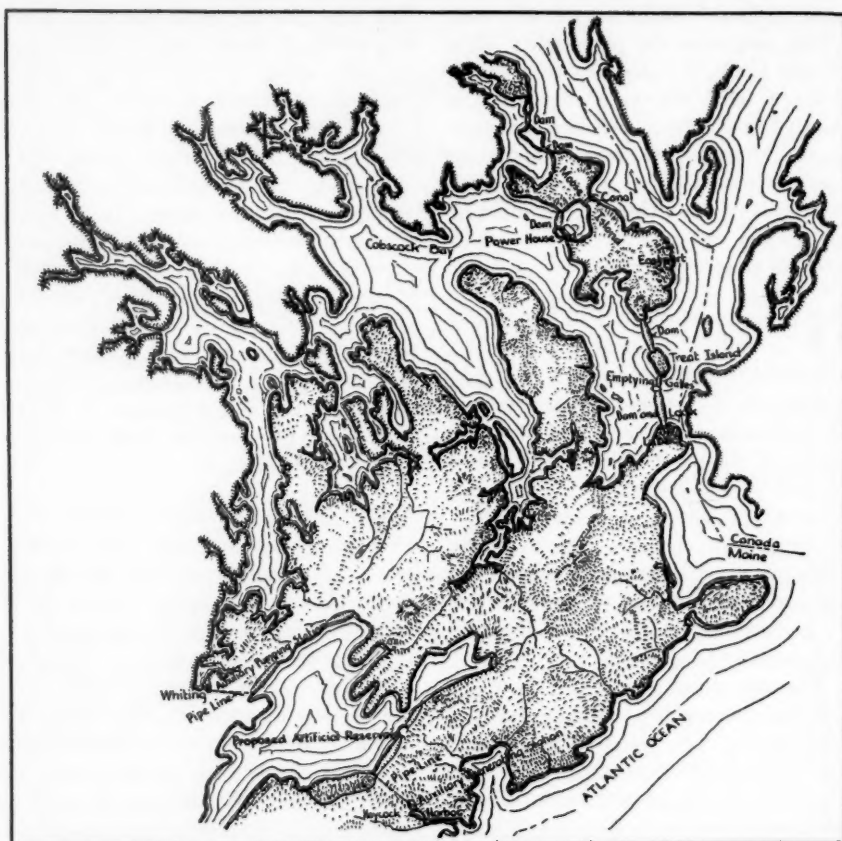
The most important part of the work is a dam to hold back the water.

This structure will be in five parts and the combined length will be about 9,200 feet, about  $1\frac{3}{4}$  miles; the greatest depth of water will be in the vicinity of 130 feet, making the actual maximum height of the dam about 150 feet. The great depth of water in connection with its rapid flow at certain stages of the tide renders the construction of a water-tight dam a job of considerable difficulty. It is planned to dump in loose earth and rock to form a heap of earth, slightly flattened at the top. The all-important precaution is to prevent leakage in such amounts as to interfere with the operation of the dam.

**M**IDWAY of the dam at Moose Island will be seen the power house. The essential parts are three in number: the passages for the water which must be immense on account of the large power and the low head; the water wheels with connected dynamos, each of which is likely to be in several units in order to operate at part load and also to enable one unit to be replaced or repaired; and a building to protect the power-producing apparatus.

It is necessary to discharge the water from Cobscock Bay quite rapidly. Large gates for this purpose will be seen near Treat Island. Attendants will probably be necessary to handle this.

As Cobscock Bay is navigable and the water level of the basin will differ from that of the ocean, locks are necessary to permit ships to enter and leave the bay. Likewise here workers will be required to operate the gates and, in all probability, the drawbridge for traffic overhead.



## PASSAMAQUODDY PROJECT

An auxiliary plant is to be installed due to the fact that the tides will not produce power for ten hours out of the twenty-four. This part of the project includes a pumping station near Whiting with electric driven pumps; the current is obtained from the tidal power plant at periods when excess power is produced. Water is pumped into a large storage reservoir on Haycock Hill. Then the generating station at Haycock Harbor, driven by the water from the reservoir, can

operate for the ten hours each day that the tide is not producing power.

**W**HEN an efficient business is considering a project of this magnitude, it has the undertaking first examined critically by its engineers and business experts. Probably a representative would be sent to the site and perhaps a few scattered measurements would be taken. Then opinions would be sought by properly qualified experts. If the verdict was against the

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enterprise, it would be dropped. If, on the other hand, the undertaking seemed to possess merit, a small sum would be appropriated for a preliminary design, covering the arrangement of construction with an estimate of cost. In addition the economic advantages and disadvantages of the enterprise would be carefully weighed. With this data on hand, the management of the enterprise could decide whether it were best to go ahead at once, to await a more favorable opportunity, or to postpone the project altogether.

A procedure of this kind is not only usual but it is just plain common sense—unfortunately none too common, especially when an administration attempts to mix politics and business. Large sums of money should be spent only when it seems economically justified by the judgment of those best qualified to know. It is true that this is a government enterprise; however, the loss or gain, while widely distributed, still remains a loss or gain.

**N**ow in the case of the Quoddy (short for Passamaquoddy) project, this method seems to have been followed with a single but extremely important exception. Here they have decided to go ahead with the work, even though their own experts were against it. For mysterious reasons taxpayers and interested parties cannot obtain the reports of the Federal Power Commission and the PWA, both of which were against the undertaking. Old adverse reports of the Army Engineers also seem difficult if not impossible to obtain. These government investigators (according to general information available)

found that power could be created from the rise and fall of the tide but they objected on two grounds:

The cost of the power will be much greater than that obtained from the fall of water in the streams of Maine and also greater than that generated by a better located steam plant.

There is not the demand for electric power in the vicinity that will economically justify this project.

Let us consider the first more carefully.

Recent improvements in the design of steam power plants have greatly lowered the cost of generating steam, hence the cost of electric current. Engines have been so designed that they will produce more power per pound of coal; low grade coal or refuse has been employed for fuel and the labor cost has been greatly lessened by the wider use of mechanical means of handling coal and ashes. A modern steam plant uses very little manual labor; the staff merely watches and regulates the necessary machinery. It might be pointed out that we were using up our natural resources in burning coal; however, much that is burned is not fit for other purposes.

**T**HE steam plant is more flexible. If demand increases, additional units may be installed without excessive cost, while if less power is required, cost is diminished although not quite proportionately. In general it is not practical to increase the output of a hydroelectric installation. Also, since the first cost of water power is the large item, total cost decreases little with production and unit cost rises sharply as the demand drops.

Two important conditions are likely to affect the relative economy of these



### Quoddy Poorly Located

*"As a relief project, Quoddy is not well located because it is so distant from industrial centers where there are many skilled mechanics and where there is real want. As a means of permanently bettering conditions, it is poorly placed because some of the benefit is going over into Canada. Just how far this will be true depends upon the extent to which our duties keep out foreign goods and our immigration laws exclude alien workmen."*

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two types; the price of coal and the topography which determines the cost of the dam. However, in general, for reasons just outlined, the steam plant is likely to be more economical than the water wheel.

The above analysis is for a plant deriving its power from a dammed-up stream. The Quoddy and other tidal projects have additional handicaps.

The head on an ordinary power plant deriving its energy from the water in a stream is likely to vary but little. It is a part of the design and the efficient operation of the plant to keep it about the same. Water wheels are designed for a certain head of water; the efficiency drops rapidly as the head is changed. Now the head at the Quoddy project will vary a great deal because the tides keep changing the height of the water and because the extreme heights of the tides vary.

The amount of power obtained from given project varies roughly as the amount of water flowing through the wheel times the head. At the Quoddy the head is very low, only a few feet; hence for every horsepower and for every kilowatt hour a large amount of water is necessary, much more than in the ordinary power plant. This means large passages and expensive turbines.

AN engineer when seeking a site for a river dam would look for a place where a stream was narrow and where suitable foundations could be found not far below the level of the backwater. A total width of 1,000 feet and a depth below backwater of 10 feet might represent average conditions. Now compare this with Quoddy where the width is 9,200 feet and the depth is as much as 100



## THE QUODDY YARDSTICK

feet with an average of perhaps 50.

A factor in favor of the Quoddy project is that several river plants might be necessary to create equal power, thus increasing the cost of construction, maintenance, and operation. On the other hand, the locks, gates, drawbridge, and auxiliary plant of the Quoddy project will likewise be expensive.

It would be indeed easy for the electric utility if the customers paid for electricity as it was produced. However, the current is usually taken at customer's option; that is, the customer takes it and pays for it only as he needs it. Even though large amounts are demanded at one time and nothing whatever at another, the utility is supposed to meet the demand and it usually does. For this reason the available capacity must be much greater than the average demand and this tends to increase the cost.

WHEN a power plant varies in its rate of production, the least amount is its capacity; the district which it serves must not demand more. Suppose that the capacity of a tidal power plant varies from 40,000 to 75,000 kilowatts with an average of 60,000. Let the demand in the community which it serves vary from 6,000 to 30,000 kilowatts with an average of 15,000. The investments and costs of the utility must be based very largely upon the 75,000 while their income will be derived from the 15,000. Yet there is only a small margin for future growth.

Now the Quoddy project will be expected to generate 450,000 horsepower when the tide is in but under unfavorable conditions will create only

120,000. However, one half is to be built at present so the preceding figures must be halved for the present. The average used must, of course, be considerably less than the steady power so that 30,000 horsepower will represent the average used while the capacity will be 60,000. After paring down the project in every possible way, the government estimate was \$36,000,000. This makes the cost \$600 per effective horsepower or \$1,200 per horsepower used as the cost of construction, about four times the usual cost of a river power plant.

LET us turn now to the second objection which concerns the market for the power.

Roughly speaking, one half of the adjoining area is the Atlantic Ocean and one quarter is Canadian territory. The remaining quarter is sparsely populated; the principal industries are farming and fishing.

The power to be developed will probably be about the same as that used by the entire state of Maine, already provided with its needed facilities for the generation of electric current. Quoddy power cannot compete in southern New England because of transmission costs and losses. Hence it seems necessary that the power be used locally.

Although it is not always true, large amounts of power are likely to mean large amounts of material. Hence, the item of freight, material to factory, and factory to point of use becomes an important part of the cost. In general it may be said that a factory should lie between its raw material and its market.

As an example it has been proposed

## PUBLIC UTILITIES FORTNIGHTLY

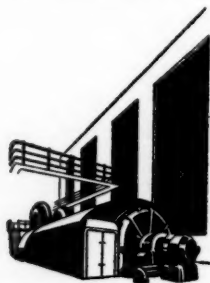
to use the Quoddy power to make aluminum to be sold in New York city. This would mean that the bauxite (the raw material) must be brought to Eastport from the South, then after reduction the material must be sent part way back. Obviously, the Pittsburgh plant of the Aluminum Company would have a big advantage; it could make money on prices which would ruin the Eastport company.

**I**NDUSTRIAL districts are created and thrive by their advantages, by the availability of their raw materials, by cheap living conditions, by low freight rates, by their accessibility to market, and so forth. Not only does Eastport fail to possess a large measure of these but she will be handicapped by high power costs. Unless the administration see fit to subsidize the district, commercial concerns could sell electric current derived elsewhere below gov-

ernment prices in spite of certain advantages which they have in financing.

As a relief project, Quoddy is not well located because it is so distant from industrial centers where there are many skilled mechanics and where there is real want. As a means of permanently bettering conditions, it is poorly placed because some of the benefit is going over into Canada. Just how far this will be true depends upon the extent to which our duties keep out foreign goods and our immigration laws exclude alien workmen.

In conclusion it may be said that it seems necessary to agree with findings of other investigators; we have tried to present in nontechnical language the reasons for this opinion and we believe that our readers will agree with us. The fact is that this project, whether considered from the standpoint of the engineer or of the business man, is a monumental folly.



### Generating Form of Power

“THE building of generating plants for rural service would not only be a duplication of present generating capacity, but would be uneconomical.

“Few if any territories served would be of a size that would require a steam generating plant. Diesel installations of small capacity would be costly and would require reserve capacity which would entail a cost much higher than energy that could be purchased from private companies.”

—HUDSON W. REED,

*Engineering Economist, United Gas Improvement Company.*



## WANTED—A Bold Man on a Big White Horse

WHAT the utilities need in dealing with their public is not leadership alone. They must also have, in the opinion of the author, the symbols of leadership so as to make a better and stronger public display of authority.

By RALPH B. COONEY

WHEN feudal kings led their people forth to battle—according to the old prints depicting such events—they placed plumed helmets on their heads, decked themselves out in the full trappings of their regal state, and mounted the snowiest of snow-white charges. Thus panoplied they rode forth among their people. And the people knew, when they saw them thus arrayed, that here indeed was leadership. And they followed it.

The plumes of chivalry have long since been relegated to the museums and the history books. The dignity of the white horse has become only the dignity of honest toil between the shafts of a milk wagon. But one thing remains as true today as it was during those glamorous centuries when knighthood was in flower and kings personally led their subjects to the wars.

Humanity demands—not merely leadership—but the physical manifes-

tation of leadership. It continues to look for and follow the man on the big white horse.

Upon a better understanding of this simple fundamental rests the whole approach to one of the more serious problems faced at this time by the entire public utilities industry. This great body of business enterprise needs—not necessarily better leadership within itself—but certainly a better and stronger display of public leadership.

For the past three years the utilities have been engaged in what they have proclaimed to be a life and death struggle for business freedom of that industry. Whether or not this designation of these years of controversy in the utility field is an accurate one is not within the province of this discussion. It is sufficient, for purpose of this discussion to accept the situation as one every bit as serious as it has been painted by the utility companies.

## PUBLIC UTILITIES FORTNIGHTLY

Under such circumstances, it appears fair to assume that the leadership displayed was the best leadership available in the crisis—that those men who presented the utilities' case to the public were the best men procurable for the purpose—that the strategy employed represented the considered thought of the best brains of the industry. It, therefore, seems equally fair to claim that a criticism based upon this display can be accepted as a criticism of the public leadership of the utilities at its best.

To study the records of the utilities' appeal to the public, as revealed by a perusal of the newspapers appearing during the period mentioned, is to find much that is brilliant, much that is vigorous, much that is logical. One cannot examine these reports of speeches and statements, of hearings and interviews and discussions without acquiring a very definite respect for the abilities of the men involved.

Yet, despite this skill and courage, one finds little evidence of that particular kind of appeal likely to kindle the slightest conviction in the consciousness of the nonstockholding public that the existing system of far-flung utility empires is actually on its way towards a definite goal, the attainment of which will prove beneficial to the people generally. With all the talk, there was to be heard no voice that reached out with a message to catch the imagination of the mass mind.

THE utilities, as a body, have needed and continue to need a figure that the crowd can see, a voice that the crowd can hear, and an inspiring presence that will convey to the crowd

an unmistakable sense of leadership.

To create such leadership there must first come a change in the basic philosophy of the men who control the destinies of our great utility corporations.

In the past—and this statement is based on a not unsympathetic study of newspaper files covering a period of some years back—the important figures of the utility business have formed the habit of appearing in the news (in their capacity as utility men) only when attacked.

It has generally taken a demand for lower rates on the part of some important municipality or the threat of more drastic regulation on the part of a state to evoke the public appearance of the men responsible for utility policies. Silent throughout the months or years when things are running smoothly, they appear in the public eye only on those occasions when they have a position to defend.

Ask even a well-informed American citizen to name a few of the leading figures in the utility business. Chances are he won't know any—rest assured that their names will not roll off his tongue as would the names of the important men in the automobile industry, for example. But if he does, you can be pretty sure that his list will be made up of the names of men who have been involved in some rate or regulation row with the forces of government. His knowledge, of course, is based only on what he has read in the newspapers, heard on the radio, or seen on the screen. The only times he's ever been aware of the existence of the big shots of the utility business has been when they've been dragged on to the carpet.

## WANTED—A BOLD MAN ON A BIG WHITE HORSE

No matter what the nature of a man may be, if he breaks into the news only through constant participation in brawls, he generally earns a reputation, in the eyes of his neighbors, as an undesirable citizen. The men at the head of the utilities industry are in pretty much the same position.

To this particular onlooker, the chief cause for this unfortunate state of affairs lies in the fact that the major executives of the utilities have persisted in clinging to the conviction that their enterprises are still strictly private. They have, apparently, been unable to reconcile themselves to the fact that they do not occupy a position similar to that of other business men who, within the laws regulating all citizens, are guided only by their business judgment and the interests of their stockholders. Being unable to arrive at this reconciliation, the utility men have been unable, even in their own interests, to put up a good front and accept public regulation graciously.

Instead, they have done what every other business man does when he feels the forces of government pressing too closely on his heels. They have rushed out and put their affairs in the hands of their lawyers.

Heaven knows, it is not the intention of this article to disparage the legal profession—or to deny the high

place which legal counsel must occupy in a business as involved in regulatory control as that of the utilities.

But it is high time that the utility men recognized that their relations to the public at large have become far too complex a problem to be solved by mere adjustments in the machinery of the law.

The truth is that the services rendered by the public utilities of the United States have become so completely woven into the very essence of our social and economic order that they stand with our natural resources and our system of government as part of the national heritage of every American citizen. Our urban communities could not exist in their present form without the existence of electric power lines, of gas and water mains, of telephone conduits, and rapid transit services. Whole segments of our industrial development are completely dependent upon utility services. Small town life has been revolutionized by the electric wires, and rural existence in America is becoming a radically different mode of living as the magic of electricity slowly advances across the countryside.

We have, in effect, created a public utility civilization. And this means just one thing—that the instruments through which this civilization functions cannot escape responsibility to



**Q** "THE utilities, as a body, have needed and continue to need a figure that the crowd can see, a voice that the crowd can hear, and a presence that will convey to the crowd a sense of leadership. To create such leadership there must first come a change in the basic philosophy of the men who control the destinies of our great utility corporations."

## PUBLIC UTILITIES FORTNIGHTLY

society as a whole. Since these instruments are men, they must behave as men. They must either lead or be led. They cannot long avoid the public eye—they cannot long continue to remain shadows in the background—they cannot obviously resent the intrusion of public interest into the court-yards of their domain. To escape having their doors beaten down, they must open them wide and, exercising control through tactful guidance, show the folks around.

OUR utility leaders might as well face the fact that, as time goes on, the position of the privately owned utility is going to become more and more involved and more and more precarious as society becomes more and more aware of the degree to which it has become dependent upon the services which the utility companies render. They are going to provide big and shining targets, not only for sincere reformers but also for all varieties of political demagogues. Underlying the whole structure of society, they can all too easily be blamed for the troubles which, through the years, are bound to beset any social organism.

Let a forceful enough personality begin making the alleged sins of the utilities and the evil nature of their leaders cause for a "holy war" and the cleverest defensive strategy at their command will prove pitifully ineffectual.

There is only one reasonably sure safeguard against the spread of such an antagonistic spirit, once aroused. That is the presence among the utility forces of that "man on the big white horse" who can rally around his stand-

ard a public sentiment sufficiently extensive to prevent mass prejudice from running riot.

How, then, shall the utility interests develop such a man? And where will they find the horse for him to ride?

The answers are relatively simple.

As for the man, he already exists. Or rather, a number of him already exist. Without going into personalities, the writer can think of half a dozen men already well known in the utilities field, who, were they to become conscious of the importance of such a responsibility, could become effective media for the expression of a new philosophy of utility management.

And the horse exists, too. It must be quite obvious that the white horse of the twentieth century is that whole body of machinery which has been established for the dissemination of information to the four corners of the nation. Thanks to this vast system of newspapers, magazines, motion picture theaters, and radio receivers, every gesture made by the hand of a leader can be seen, almost instantaneously, in every section of the country. Through the wise use of these facilities the man who either by the choice of his fellows or by the force of his own conviction and character sets out to establish leadership of the public in utility matters can know, from the beginning, that the ability to make the crowd see and hear has been granted him.

NOR can there be any question of his right to use this machinery. Make no timid mistake about that! So long as any element in our demo-



### Utility Leader Must Make Himself a Public Figure

**"T**HE utility leader who would win public confidence must, first of all, make up his mind that he is going to be a public figure. He must reconcile himself to a constant appearance on the stage of events. He must welcome every opportunity to make himself heard on subjects not only involving the utilities but also concerning the general public welfare."



cratic society—whether its interests be social, political, or economic—is willing to assume responsibility for the cause it advances, it has a complete and unfettered right to carry that cause to the public through every channel of public information.

We have had a great deal of loose talk in these United States about free speech. We have also had a lot of loose talk about propaganda. Certain elements in our population seem to revel in the notion that, while the expression of their point of view represents a fair exercise of their right to free speech, a similar expression of the point of view of the business men of the country represents an unfair utilization of that insidious something known as propaganda.

The unfortunate thing about the whole affair is that business has become peculiarly weak-kneed over the application of these four sonorous syllables to its legitimate efforts to place its causes before the public. Let a voice from the mob begin yelling "propaganda" and business has a way of retiring into its shell, apparently unaware that its right to free speech is just as genuine as that claimed by the orators of Union Square.

The utility leader who mounts the big white horse of leadership may have to dodge a few such verbal brickbats. But he has only to disregard them to discover that courage and serenity and confidence in the justness of his cause have a magic power of their own. He'll find that sooner or later most people will look and listen.

**W**HETHER or not he succeeds in making the crowd respect and follow, however, depends upon him. This article does not pretend to offer a pat formula for such success, nor does a man endowed with the qualities of leadership require any of the rules of thumb that might be provided. Nevertheless, it may not be too presumptuous to indicate a few of the factors involved in the evolution of a conscious program of public leadership.

In view of what has already been said concerning the coyness with which our utility leaders have avoided public appearances, it seems hardly necessary to note that the utility man who endeavors to win any kind of public confidence must speedily develop an entirely new attitude towards the public itself.

## PUBLIC UTILITIES FORTNIGHTLY

It has long been a favorite theory of the utility business that the public relations job was one which began at the bottom. Train the cashiers and the contract clerks and the service men to be smooth and polite and helpful and the job would be ninety per cent accomplished. There is much virtue in this theory—but not nearly enough to warrant the attitude that such courtesies need remain a utility company's only good-will gesture.

True, there must be a flow of good-will building service from the bottom. But there must also appear a flow of good-will philosophy from the top. A man may prefer to be held up by a polite gunman, if he must be held up by a gunman of some sort. But his appreciation of the courtesies rendered is not going to extend to the point where he advocates the dispersal of the police force in order that gunmen may go about their business completely unmolested. And a householder may feel flattered by the smile he gets from the electric company's cashier without feeling one whit kinder towards the heads of the company whom he may have come to distrust.

**T**HE utility leader who would win public confidence must, first of all, make up his mind that he is going to be a public figure. He must reconcile himself to a constant appearance on the stage of events. He must welcome every opportunity to make himself heard on subjects not only involving the utilities but also concerning the general public welfare. And if opportunities do not arise for such self-expression he must go further and deliberately create occasions for the presentations of his views.

He must have an eye for the future. He must keep thoroughly well informed concerning the trend of events, and must consider the whole industrial, agricultural, and social progress of the nation as his province. He must have a public program covering the part which the utilities ought to play in all these fields. He must be willing to declare, publicly, his faith in what the utilities have already accomplished and his belief in what they can achieve. He must be willing to debate issues freely and openly. He must, to sum up, establish a philosophy concerning the utilities and their place in the community and must repeat it and repeat it and repeat it, remembering ever that not until he is sick unto death of his own words has the average citizen begun to be dimly aware of the fact that he has been saying anything.

**S**UCH a man will, naturally, set himself up as a special pleader. He will use his best endeavors to give to the public that picture of the utilities which is most favorable to them. He will use every agency of publicity procurable to spread his message. But for his own sake, and for the sake of his cause, he will dare not blind himself to the existence of such faults as may persist within the utilities' own organizations or to such prejudices as may cling on, despite his efforts, in the minds of the public.

These difficulties he must face courageously and intelligently. He must know the weak side of his case, and must constantly work to strengthen it from within.

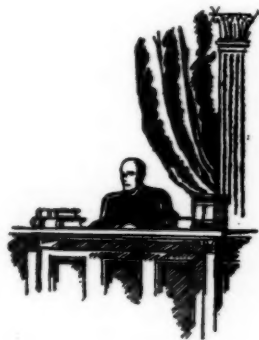
He must, in short, work like the proverbial dog. Will it be worth it?

## WANTED—A BOLD MAN ON A BIG WHITE HORSE

Despite his efforts—despite the efforts of other men working the same way—will the utilities find themselves able to stem a rising tide of prejudice against what, in the public mind, represents private control of a public function?

This writer believes they will. Humanity follows the man on the big white horse and America remains, despite all the loose talk, a nation dedicated to an economic system based upon private enterprise. If the utilities

will face their problems honestly, if they will make up their minds that they cannot forever get by with a dodging act, if they will act as though they themselves thought their stand a sound one, if they will turn to the development of a group of leaders with some understanding of the temper of the times—there is no reason why they should not win for themselves the strength and the respect necessary to their successful continuance in their present basic form.



### A Hostile View on the Death Sentence

“NEITHER social justice, economic reason, or constitutional authority support the principles of the death sentence. In its essence, it means that any company owning systems located in different parts of the country, no matter how small such systems may be, must be prepared, at the uncontrolled discretion of a Federal commission, to dispose of all but one of such systems shortly after January 1, 1938. What responsible holding company official can afford, under such circumstances, to expend capital funds on the expansion of such properties when he knows that their disposition will occur in a market glutted by similar forced sales?”

—WENDELL L. WILLKIE,  
*President, The Commonwealth  
& Southern Corporation.*



# Financial News and Comment

By OWEN ELY

## *Columbia Gas & Electric Expands Gas Business*

**C**OLUMBIA Gas & Electric Co. obtains about two thirds of its system revenues through production and distribution of natural gas, and one third from electric and miscellaneous services. Electricity is served to Cincinnati and Dayton and nearby communities in Ohio and Kentucky, while natural gas is produced, transported, and delivered (at wholesale or retail) to a large number of cities and towns. Some 1,326 communities (population over 5,000,000) are served.

Geographically the system may be divided into seven groups, with principal companies in each section as follows: (1) Charleston, West Virginia, and surrounding territory (United Fuel Gas Co.); (2) Cincinnati and adjacent Ohio and Kentucky communities (Cincinnati Gas & Electric Co.); (3) Columbus and central Ohio (Ohio Fuel Gas Co.); (4) Dayton, Ohio (Dayton Power & Light Co.); (5) Pittsburgh, Pa. (Manufacturers Light & Heat Co.); (6) Binghamton, N. Y. (Binghamton Gas Works); (7) Seaboard Division (Atlantic Seaboard Corp.), controlling the gas pipe line (in which Standard Oil of N. J. has a 30 per cent interest) from Kentucky to the Maryland-Pennsylvania state line near Coatesville, Pa., supplying gas at wholesale to Washington Gas Light Co., and to companies in Virginia and West Virginia.

The system is quite well integrated both geographically and financially. Of

the 50 active subsidiary companies, the equity is, with some few exceptions, fully owned by Columbia Gas. While under strict interpretation of the Utility Act, it might eventually prove necessary to separate the electric and gas properties, this would probably not have any very adverse ultimate effects so far as security holders are concerned.

The system formerly included oil and gasoline properties, but in 1930 these were largely transferred to a new company, Columbia Oil & Gasoline Corporation. Voting-trust certificates for the latter company's common stock were distributed to common stockholders of Columbia Gas & Electric Co., while the parent company retained the preferred stock. Columbia Oil received cash from the parent company of over \$35,000,000 through which it acquired all the bonds, one half the notes, and one half the common stock of Panhandle Eastern Pipe Line Co.

At the end of 1935 gas reserves amounted to about 4,352,000 acres in West Virginia, Kentucky, Ohio, Pennsylvania, and New York, of which about one fifth had been drilled.

Plans recently completed provide for the sale of natural gas by Panhandle Eastern Pipe Line Company to Detroit City Gas Company (subsidiary of American Light and Traction Co.). This gas will be delivered at the Illinois-Indiana state line to a Columbia Gas & Electric Corporation subsidiary, which will build a transmission line connecting the Panhandle line to Detroit and deliver the Panhandle gas through it to

## FINANCIAL NEWS AND COMMENT

that city. This project had been formerly tied up in litigation with the Federal government over the antitrust laws, but the suit against Columbia Oil & Gasoline Corporation and others was dismissed in January, with the proviso that Columbia Oil's equity in Panhandle should be terminated. (Columbia Oil bought its interest in Panhandle from Missouri-Kansas Pipe Line Company and litigation with the receivers of Missouri-Kansas is not yet entirely cleared up.) Completion of this project, to be financed largely by Columbia System, will cost about \$18,000,000.

**I**N the East, Columbia some years ago extended its pipe lines close to Philadelphia. Tentative plans to introduce natural gas in seaboard cities, forecast in 1929, were perhaps responsible for the great popularity of the company's stock, which, adjusted to the present basis, reached a high equivalent to 112 or  $5\frac{1}{2}$  times the present level (the peak figure being about 45 times the 1929 share earnings similarly adjusted).

Due to its close integration and conservative capitalization, the system, despite the depression loss of business and rate cuts, was able to maintain earnings on the common stock and a strong current position. The balance sheet for December 31, 1935, which reflected total system assets of about \$704,000,000, included cash in excess of all current liabilities.

Four important rate cases, which had been in litigation for several years, were settled during 1935, resulting in an increase in surplus of about \$4,000,000 from amounts previously carried in reserve for contingent earnings. New rates have been agreed upon for several years to come.

In 1935, the total kilowatt hours sold (excluding electricity delivered on an exchange basis) amounted to about 1,081,000,000 kilowatt hours, and assuming that this can properly be set against electric revenues, an average kilowatt-hour rate of about 2.21 cents was indicated (which of course includes industrial as well as domestic deliveries).

Electric revenues were derived as follows: residential 34 per cent, commercial 20 per cent, industrial 31 per cent, miscellaneous 15 per cent.

**T**HE company's earnings record in recent years has been as follows:

|      | No. of Times<br>Interest<br>Earned | No. of Times<br>Interest & Pfd.<br>Divs. Earned | Earnings<br>per Share<br>Common |
|------|------------------------------------|---|---------------------------------|
| 1929 | 4.64                               | \$2.81  | \$2.49 <sup>1</sup>             |
| 1930 | 3.95                               | 2.39  | 1.76                            |
| 1931 | 2.98                               | 1.96  | 1.42                            |
| 1932 | 2.44                               | 1.62  | 0.96                            |
| 1933 | 2.09                               | 1.33  | 0.51                            |
| 1934 | 1.82                               | 1.16  | 0.25                            |
| 1935 | 1.99                               | 1.27  | 0.43                            |

<sup>1</sup> Adjusted to give effect to a dividend of 25 per cent in common stock paid on the common stock during 1930.

Fixed charges of subsidiaries were reduced about \$400,000 per annum during 1935 by the refunding of bonds at materially lower interest rates and the reduction in interest upon other issues by agreement with holders.

The system earnings are reported quarterly. No 1936 figures are yet available, but the outlook for the first quarter, otherwise considered good owing to stimulus of cold weather on gas sales (with estimates as high as 40-50 cents on the common for this seasonably favored quarter), has now been obscured by flood damages.

### Stock Market Turns Irregular

**D**ESPITE continued good earnings reports, utility stocks have failed to make much market progress since the excited trading of February 17th which attended the Supreme Court TVA decision. The Dow-Jones average of 20 common stocks has continued to fluctuate in the 31-33 level (last year's range was about 14-30; this year's about 30-34). To some extent the condition of utilities reflects general market irregularity and trading apathy, although industrial stocks are somewhat higher than in mid-February. Rails, affected by recent flood conditions and doubt regarding the coming freight-rate decision,



## PUBLIC UTILITIES FORTNIGHTLY

are slightly below the mid-February level. Utilities still show a much larger percentage of gain from last year's lows than industrials or rails.

There have been several exceptions to the recent irregular trend in utilities. Columbia Gas & Electric has worked into new high ground, possibly due to completion of the plans for bringing natural gas to Detroit. Electric Bond & Share, Electric Power & Light, and United Gas have also advanced to the highest levels of the past several years, due to rapidly improving earnings and reports of successful development of United Gas' oil properties in the Rodessa field.

The position of United Gas was described in some detail in the FORTNIGHTLY of January 16th. According to more recent reports by *Standard Statistics*, United Gas owns 39 of the 112 producing wells in the Rodessa field and has 20 additional in process. It has not yet put down a dry hole in this area and the field is apparently larger than originally supposed. Experts are now working on the basis of 200,000,000 barrels of proved recoverable oil and some 100,000,000 barrels in untested sections. The depth of the wells and resulting high drilling costs are a somewhat offsetting factor, but results thus far obtained seem to bear out the suggestion made in the previous review that Rodessa should aid the company in any general program for refinancing bank loans and disposing of heavy dividend arrears on the preferred stocks.

### New Financing

UTILITY bond offerings again reached large proportions with a total of \$235,000,000 for the fortnight ended March 27th. Important issues included the \$55,830,000 Consumers Power first 3½s, \$90,000,000 Pacific Gas & Electric first and refunding 3½s, and \$75,000,000 Eastern Gas & Fuel first and collateral 4s. Despite some recent irregularity in the bond market, utility financing has continued the successful record of

earlier issues; recent prices for recent issues, as reported by *The Wall Street Journal*, being as follows:

|                               | Original<br>Price | Current<br>Bid | Price<br>Asked |
|-------------------------------|-------------------|----------------|----------------|
| Indiana Associated Tel. 4½s   | 102               | 103½           | 103½           |
| Citizens Independent Tel. 4½s | 101               | 102            | 103            |
| Central Illinois Light 3½s .. | 104               | 105            | 105½           |
| Consumers Power 3½s ....      | 103½              | 103½           | 103½           |
| Springfield City Water 4s ..  | 99                | 99             | 99½            |
| Pacific Gas & Electric 3½s .. | 102½              | 102½           | 103            |
| Eastern Gas & Fuel 4s ....    | 96½               | 96½            | 96½            |
| Iowa Elec. Light & Power 4s   | 103               | 103½           | 103½           |

The huge Pacific Gas flotation was successfully placed, being largely absorbed by institutions. The "informative" style of press advertisement was used—the first instance (since authorization last May) except for the various Morgan Stanley & Co. flotations.

The large Eastern Gas & Fuel Associates issue, while attractively priced and yielding about 1 per cent more than some of the highest grade utility issues, was less suited to institutional buyers and hence required real sales effort, as indicated by the large number of houses in the syndicate. A good demand for the bonds was reported, however, by salesmen of the 800 or more houses participating in the selling, according to Dow Jones.

No important utility issues are scheduled for next week. Later offerings include (using dates indicated by registrations): April 6th, \$13,500,000 California-Oregon Power Co. first 4s, 1966; April 8th, \$9,000,000 Central Maine Power Co. first 4s, 1966; April 9th, \$70,000,000 Consolidated Edison 3½s-3½s (Morgan Stanley & Co., Inc.); April 15th, \$2,600,000 St. Joseph Water Co. 4s, 1966 (W. C. Langley & Co.); and April 16th, \$30,000,000 Pacific Telephone & Telegraph 3½s (Morgan Stanley & Co., Inc.).

The April 9th issue of Consolidated Edison (the former Consolidated Gas of New York) will probably include \$35,000,000 3½s of 1946 and \$35,000,000 3½s due 1956 (both debentures). Prices are to be announced later. These issues represent the third step in the Consolidated refunding program, previous



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steps being the sale last December of \$25,000,000 New York & Queens Electric Light & Power mortgage 3½s at 102 and the sale early in March of \$55,000,000 New York Edison 3½s at par, both of which issues were quickly absorbed. By the first of July the company expects to refund \$55,000,000 Brooklyn Edison 5s at a 3¼ per cent coupon, and the remaining \$30,000,000 New York Edison bonds are also to be replaced October 1st by 3½s. Other system refinancing (New York Steam, New York & Westchester Lighting, Bronx Gas, etc.) has not been definitely scheduled.

New England Power Association filed a declaration under the Utility Act covering \$28,000,000 3-year notes, evidencing bank loans to be made for the purpose of refunding issues now outstanding (including demand notes), but due to flood conditions, etc., later withdrew the declaration.

**N**IAGARA Hudson Power Corporation officials are reported engaged in studies of corporate and capital changes in a program of ultimately eliminating various operating subsidiaries and refunding a substantial portion of the \$195,634,000 callable funded debt, of which more than half carries coupons of 5 per cent or more and the balance 4½ per cent. Possible interest savings are estimated at about \$2,000,000. In addition to consolidating the underlying debt, it is also planned to reduce the \$186,000,000 underlying preferred stock. There has been some discussion of a plan to exchange subsidiary preferred issues for the parent company's common stock, of which over 9,000,000 shares are already outstanding (with no senior obligations other than bank loans). The public service commission is now considering the company's request for a merger of ten operating companies in the northern section into Northern New York Utilities, Inc.; and merging of the western and eastern groups is expected to follow. It is said that the plans for simplifying the capital structure have been considered al-

most from the time the parent holding company was formed over seven years ago, but remained dormant during the depression because of the greater importance of operating problems.

Private sales of large issues of utility bonds are infrequent and, since they do not require registration, do not attract much publicity. The following, quoted from the "financial gossip" column of the *New York Sun* may be of interest:

The private sale of \$16,000,000 Southern New England Telephone bonds did not appeal to bond dealers who have built up and are maintaining expensive distributing organizations. The two-point spread that bankers believe is a fair compensation for distributing a high grade utility issue is split between the company and the buyers in a private sale. The ease with which this issue was placed is a good augury for the success of high grade utility bonds scheduled for offering in the near future, provided, of course, that the market is not disturbed.

The \$17,500,000 New York State Electric & Gas 4s of 1965, proposed for issuance sometime ago and registered with the SEC, still remains indefinite with regard to price and date of offering, syndicate head, etc. The public service commission March 28th authorized the company to issue \$1,000,000 first 4s not later than June 1st, at 97 or over, for rural electrification.

### *Earnings Reports Include Some Sharp Gains in 1936*

**W**HILE American Light & Traction showed only a slight gain in earnings in 1935 (\$1.34 per share on the common stock, against \$1.30 in 1934) January net was about 50 per cent over last year and February sales were also excellent, due to the cold wave. However, the cost of repairing burst gas mains in Detroit somewhat reduced these gains. President Charles S. McCain at the annual meeting stated that the company was well protected against the Utility Act of 1935 should the Supreme Court decide it to be constitutional. Sale of the company's holdings in the Detroit Edison Co. and several

## PUBLIC UTILITIES FORTNIGHTLY

operating companies could easily be effected, if necessary in future, he said. An immediate problem is the San Antonio election proposal for municipal ownership of gas and electric properties, the outcome of which remains in doubt, although there is apparently little sentiment in favor of the proposal. When the Panhandle pipe line is ready, natural gas can be supplied more profitably to Detroit, Grand Rapids, and Muskegon than manufactured gas, and lower rates should considerably improve the company's competitive position, according to Mr. McCain. A new contract in Milwaukee substantially raised the average price of gas in that center in 1935.

United Gas Improvement reported consolidated net income of \$1.09 for 1935 compared with \$1.19 in 1934. Sales of electricity gained nearly 10 per cent, but rate reductions, increased expenses and taxes, and lower dividend income on investments (which include large holdings of Public Service of New Jersey) resulted in the decline in net. On a corporate basis earnings were \$1.03 compared with \$1.13.

Duquesne Light Co. of Pittsburgh (Standard Gas & Electric system) reported \$4.22 a share for 1935 against \$4.13 for 1934. The company should be benefited by expanding operations of steel companies in its territory, but flood damage may prove an adverse factor.

**I**T seems likely that American Water Works & Electric Company's earnings in the first quarter of this year will be well ahead of last year. For the twelve months ended January 31st \$1.40 a share on the common stock was reported compared with \$1.32 for the 1935 calendar year and 99 cents for the twelve months ended January, 1935. As a result of the conversion on March 2nd of about \$12,000,000 debenture 5s into 600,000 shares, the common stock has increased from 1,741,000 shares to about 2,341,000 shares. On the new capital set-up earnings for the year ended January 31st would be reduced to about \$1.33 a share or a decrease of 7 cents per share. The balance of the

bond issue is convertible at the rate of 33½ shares per \$1,000 bond (instead of 50).

International Telephone & Telegraph for 1935 showed a gain of 57 per cent in net, the balance per share being 90 cents against 57 cents (excluding Postal Telegraph & Cable Corporation, in process of reorganization). The loss for the latter company, if included, would have reduced earnings about 22 cents. In its letter to stockholders the company presented details of its 1936 refunding program, as well as a proposal to reduce the par value of the stock from \$33.33 to \$20. Of the resulting increase in surplus a large amount will be transferred to reserves for revaluation of assets, indicating later write-off of the Postal Telegraph investment (carried at about \$43,000,000).

Detroit Edison for the twelve months ended February 29th earned \$8.04 or nearly double the \$4.28 for the similar period last year.

Public Service of New Jersey for the same period reported \$2.44 against \$2.74 (for the calendar year 1935, \$2.53 had been reported).

**U**NITED Light & Power for the twelve months ended January 31st showed a sharp gain in earnings, which were equivalent to \$4.40 a share on the first preferred stock (on which there are accumulated dividends) compared with \$1.57 in the same previous period. The figure for the calendar year 1935 was \$4.02.

The annual report of the Hudson & Manhattan Railroad Co. reflected a reduction of about 19 per cent in net income, largely explained by a drop of over 8 per cent in gross revenues from the Terminal buildings.

Interborough traffic in February gained 5.28 per cent over last year, the best improvement since 1930; the eight months since July 1st showed a gain of 1.91 per cent.

Communications companies are making an excellent showing thus far in 1936. The Bell System reported a net station gain of 123,400 for the first two

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months of this year compared with 67,000 in the same period last year. Western Union for January reported a gain in gross of 5.7 per cent; and in spite of a 2 per cent wage increase net income was \$178,110 compared with \$29,080. Postal Telegraph land traffic gained 5 per cent. Radio Marine Corp. January gross gained 16 per cent; and R. C. A. Communications' rate of gain was considerably higher.

Niagara Hudson showed a moderate gain in earnings for 1935—50 cents against 46 cents in 1934; an increase of about \$1,900,000 in depreciation following a jump of nearly \$2,000,000 in the previous year curtailed the gain in net. The ratio of depreciation to gross revenues increased from about 7.3 per cent in 1933 to 11.7 per cent in 1935.

Southern California Edison reported a gain in net profits of 33 per cent in the first two months of 1936.

Commonwealth & Southern in the twelve months ended February 29th reported a gain in net income of about 26 per cent over last year; and for the first two months the gain amounted to about 17 per cent.

Engineers Public Service Co. in the year ended January 31st showed a gain of about 73 per cent in net income over the previous year.

### *Rates, Revenues, and the "Legal Rate of Return"*

**I**N the past many electric power companies have resorted to the courts to ward off rate cuts which threatened to infringe upon the so-called "legal rate of return" on investment. Now, however, there is some indication that, with returning prosperity, rates will be voluntarily adjusted with the object of stimulating sales. The so-called Washington

Plan and various other experimental or progressive rate cuts have been initiated and results should prove of great interest to the industry. Chairman Carlisle of the Consolidated Edison Company told his stockholders that the company's future policy would be to design rates to promote maximum use of electricity, bearing in mind the preservation of capital investment.

According to a statement in the *New York Sun*:

The results of rate reductions have been gratifying to most progressive utility companies. Years ago a rate cut made an unfavorable impression on gross income for a long time. The lag between the cut in rates and development of a counterbalancing increase in consumption was great. Gradually, the lag has been reduced but this has been due largely to promotional activities of the companies. They realized that a rate reduction by itself is slow to encourage greater consumption; that they must send out men to sell the idea that electricity should be made to perform more household tasks, function more liberally in commercial lines, and do more work in the industries.

There is some question, however, whether rate reductions are always productive of new business; naturally, there are many other factors, such as competition with private electric plants, the trend of consumers' income, etc. In New York city there are still thousands of privately operated power plants, hence rate reductions may make it possible to sell Edison service to many of these potential commercial customers. On the other hand, for the country as a whole, the use of domestic electric service, excluding consumption by refrigerators and radios, is reported to have shown no increase since 1930, despite a cut in rates of 16½ per cent, according to a survey by the Edison Electric Institute. Depression conditions, including the lag in new building, may account for this fact, however.

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**Q** "It is to be regretted if we feel so little sure of the firmness of the foundations upon which this America of ours rests that we are fearful that they will be undermined by false theories, especially if the error that threatens them has been thoroughly exposed."

—HAROLD L. ICKES,  
Secretary of the Interior.

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# What Others Think

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## Big Dams, Flood Control, and Wild Life

**I**T was something of a blow to big dam enthusiasts in Congress to be told by a high ranking New Dealer that dams cannot generally serve a combination of two, three, or four masters effectively; to wit: power generation, navigation, flood control, irrigation, and, in some cases, erosion control. The witness was none other than REA's Morris Llewellyn Cooke, testifying before the Senate's agriculture committee on flood control on the Mississippi. Mr. Cooke flatly declared that the idea of building giant dams for flood control purposes is futile. We devote "too much time to the building of dams, and in certain parts of the country practically every dam that has been built will be silted up to the level within a very short time."

A different approach to flood relief was suggested by Mr. Cooke. Replying to questioning by Senator Norris of Nebraska, he stated:

Unless we can save our little waters—the policy, Mr. Chairman, in the past has been to slick the path of water to the sea. That has been the engineering background of all our work, to get it off the land, drain it, throw it off, carry it away through concrete culverts, and then when it gets down in the big streams, build levees, do everything possible to get it down to the sea, get it out of the way. In this little pamphlet of mine I suggested another slogan taken from the foot ball field, the teams two yards from the goal and the people that are defending the goal and the thousands on the grandstand just unite in the cry "Hold it. Hold it. Don't let them pass." Now, if we can change the water policy of this nation from one where everybody takes a hand in slicking it to the sea and carrying with it top soil that has been built up at the rate of an inch every four hundred years—if we can change it from that to a policy of holding it, holding it on the field, holding it wherever it falls, holding it in the head-water streams, we may get somewhere. And we have got to do it and do it very quickly, and it seems to me, Senator, that your question when you asked for the stor-

age capacities of these larger dams is a rather academic question because I think you will find that if you got the acre feet, and he can give it to you, I think very promptly—he can give you the acre feet of storage in practically every dam that has been suggested, but if these disastrous floods are to be stopped and if the dust storms and the carrying away of our soil is to be gradually retarded it will be because every field—our agriculture must be changed so that every field becomes a storage area. Only in that way can we stop this disease.

So we will never take care of these head-water streams, we will never build these minor reservoirs, many of which have no power in them, for instance, unless we show how the water, once being stored either on the ground or below the surface, can be used in an economic way for building up agriculture and otherwise improving the level of living. That is what I mean by saying that I think the emphasis of the bill is more downstream than I would have it. I think the words are all there but if we spent \$500,000,000 a year in building big dams and big reservoirs, and did it for twenty years, Mr. Bennett (another official) tells me that over a sweep running from North Carolina around to Mississippi there isn't a dam that either has not already silted up to the level, and some of them above the level, because now when the dam is silted up to the top they put in a dashboard so as to try and get a little power out of it—there isn't one of those dams that is not doomed, not doomed in a far-off time like seventy-five years, but more or less immediately doomed. He also tells me that he has exhibits where he has built dams upstream, these little waters that we have not been in the habit of considering, that have brought back streams at great distances that have been dry for years, brought back springs.

**I**N his concluding remarks, Mr. Cooke pointed out that Congress has a remarkable opportunity to go in for real flood control work at this time because of the public reaction to the recent floods that devastated the East. "The thing is coming home," he said, "repetition of the floods and the dust storms and all the rest of it." Now is the time to put across legislation of this type.

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There is, of course, in this post deluvian panic, a danger that Congress may be spurred to act too rashly. Flood control is important enough, says the *New York Herald-Tribune*, to warrant making haste slowly. The editorial continued in part:

No doubt there is need for a more comprehensive approach to the problem, but the point is that flood control on a fairly handsome scale is already in progress and that the country should set its face against a demand for it born of hysteria. Otherwise Congress, in an election year, will take advantage of the situation to declare a barbecue of "pork" and commit the Treasury to an outlay hopelessly out of step with financial realities. Its disposition to do this becomes increasingly manifest with every day's news from Washington.

It is true, of course, that flood-control projects, to be effective, take time to construct and that for this reason a 10-year program seems a more realistic proposition than one of three years, particularly if the outlay a year is the same. But the longer ahead the commitment, the greater the temptation to festoon it with specifications having merely a political value. We have, moreover, already pointed out the very necessary economy, for the present, of paying for flood-control works out of relief funds and of enlisting the relief agencies in their construction. Assuming that they are made to bear the burden, as they should be, is it wise to start them on a 10-year task? In theory at least, these funds and these agencies are temporary. Let us adopt a flood-control program, therefore, which will provide no excuse for their perpetuation. We can always follow it with another.

**T**HERE are other conservative angles than flood control from which the so-called "giant dam" policy of the Federal government can be criticized. It has not been so many weeks since J. N. Darling, better known to hosts of admirers of his cartoons as "Ding," was an ardent New Dealer in charge of the U. S. Biological Survey. But although Ding has resigned his official post, his interest in the conservation of wild life and other natural resources is stronger than ever. So strong indeed that it may explain, in part at least, the reason why he saw fit to relinquish his official post.

Ding in a recent magazine article, bluntly referred to some of our Federal water-power projects as "cockeyed" and

predicted that they will turn parts of American streams into biological deserts. He charges that man has "laid waste empires of beautiful and productive landscape, blindly rushing ahead in a short-sighted, suicidal policy of exploitation and in promoting cockeyed, unsound, and unnecessary projects labeled 'water-power conservation,' 'drainage,' and 'flood control,' destroying more than he's produced."

He declares the Mississippi dam at Keokuk, Iowa, "has resulted in a barren life desert thirty-one miles long," and predicted that if a proposed series of dams were completed the Mississippi "will be a life desert from St. Paul to Baton Rouge."

This conservation leader criticizes particularly the Santee-Cooper power project in South Carolina which he said was among "destructive projects" either promoted or under construction with political complications. Ding asserted:

When politics gets into such a situation the whole problem becomes even more complicated and difficult to handle.

Our government is promoting the Santee-Cooper power project to fight the existing power plants. It's been roughly estimated that all the existing power plants could be bought for one half the money that's going to be spent by the government to build the Santee-Cooper project.

We're giving away, then, for the sake of the fetish of fighting public service corporations, \$25,000,000 plus 500 square miles of natural resources which can never be restored, once that supply of fresh water is diverted.

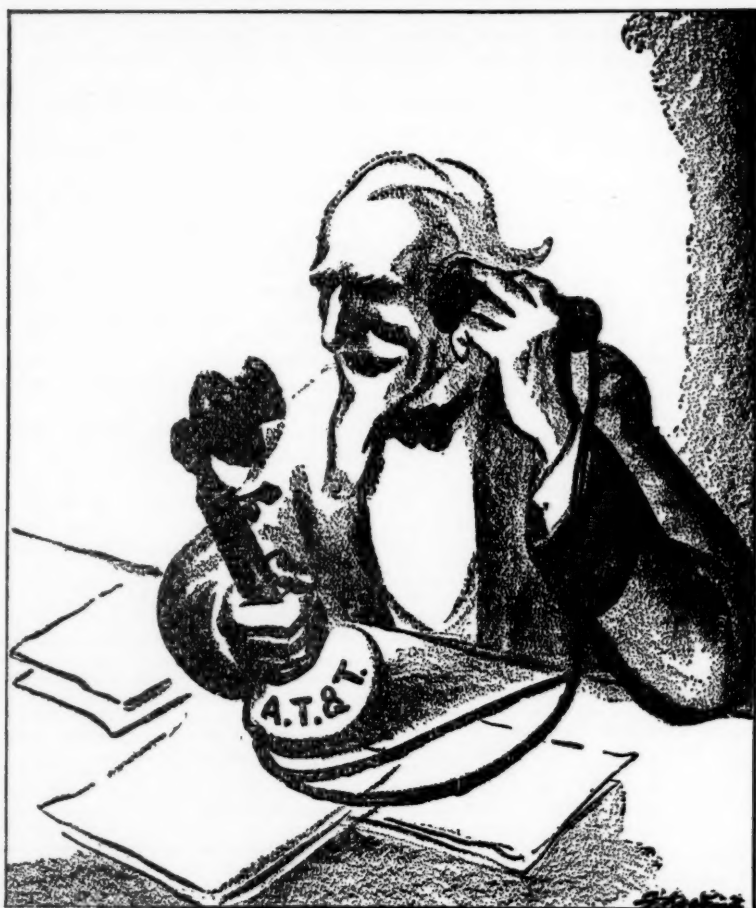
He cites the intercoastal canal at Currytuck sound in North Carolina as an example of the "destructive results of such projects." He says that after salt water was turned into the sound, bird life and aquatic life disappeared, and along with them the economic resources for people living along the sound.

**D**ING charges that some of the politicians in their zeal for home state projects on Federal funds have closed their ears to the pleas of the naturalists. He states:

The South Carolina congressional delegation are strong for this project, not be-



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*Miami Daily News*

## INFORMATION, PLEASE!

cause they want to destroy the livelihood of their people, but because they're ignorant of it and they do want the money to spend in their state because of its influence in elections. They even go so far in this promotion of destructive projects as to bring political pressure to bear upon the State Fish and Game Commission of South Carolina and cause it to write a justification of this project, which is completely misleading. Whether this is from ignorance or complete subservience to political influence, I can't say, except that most fish and game commissions, with very few exceptions, are appointed for political qualifications rather than technical knowledge of wild-life re-

quirements, and the commission is probably doing only what is demanded of political appointees.

He concludes with an appeal for an organization of conservationists, "national in scope," which may keep informed on such matters and use their influence to thwart their devastating consequences.

**W**ITH Ding's appeal in mind, it is interesting to note the opposition to the Grand lake water diversion proj-

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ect in Colorado which has sprung up in the form of protests to congressmen by a group of wild life and naturalist clubs. According to the *Denver Post*, the printed protest stated in part as follows:

Congress by amendment to the Federal power act has enunciated the policy that national parks should be exempt from power projects.

The scheme to divert the waters of beautiful Grand lake, and to tunnel through the heart of Rocky Mountain National park, involved the development of power and the construction of unsightly power lines near the eastern and southern boundaries and across a scenic area which has long been contemplated for addition to the park.

In the building of the tunnel, the disposition of debris will deface the landscape and leave a scar on the wilderness character of the park and its environs.

We have no faith in promises to maintain the level of Grand lake if water becomes

needed for power or growing crops in dry years.

Heretofore, only western slope residents in Colorado have protested against this particular project. They assert that the plan should provide for compensating reservoirs to protect water rights on the Colorado river.

—E. S. B.

TESTIMONY of Morris L. Cooke before Subcommittee of Committee on Agriculture and Forestry of United States Senate. March 24, 1936.

FLOOD-CONTROL HYSTERIA. Editorial. *New York Herald Tribune*. April 1, 1936.

MAN'S BLIND ATTACK ON NATURE. By J. N. Darling. *Better Homes & Gardens*. April 1936.

NEWS ITEM. *The Denver Post*. March 20, 1936.

## Is Government Service Being Pauperized?

CITIZENS and taxpayers who were scandalized at the recent laundering of dirty West Virginia linen in the United States Senate by the precocious Mr. Holt will appreciate the slogan recently chosen by the National League of Women Voters: "Find the Man for the Job, Not the Job for the Man." This matter of politics in relief and in government employment generally has become far more than a mere patronage squabble between the junior and senior Senators from West Virginia. Needless to say, it concerns existing utilities not only as taxpayers but as frequent objects of competition being financed with public funds.

The policy of the ladies' league is given further emphasis by one of its leaders, Miss Marguerite M. Wells, who points out that "in respect to appointments to office there are no deserving Democrats nor are there any deserving Republicans; there is only the deserving public and it deserves that its affairs be run by men and women chosen for ability and devotion."

The editors of *Public Management* see in the league's slogan possible ammunition to blast another slogan of less

repute, "Hometown Jobs for Hometown Boys." The editorial states:

If not, then other slogans must be found to aid in diminishing the practice of restricting municipal appointments to local residents. Only as this practice is generally denounced will city councils deem it politically sound to make appointments solely on the basis of merit and potentialities. And only by this means will the drive for a local government career service move off dead center. Failing this development, career ambitions will continue to be stifled, and the nation's ablest young men will continue to spurn the municipal service and seek private employment.

ANOTHER angle of political employment recently noted by Frank W. Herring, editor of *Public Works Engineers*, is the great amount of normal budgetary work being carried out these days under work-relief auspices. Streets are being cleaned, refuse is being collected, routine paving repaired, and even hospitals are being operated by relief "clients." The expense, of course, is being borne by Uncle Sam and everybody appears satisfied. Mr. Herring declares that this shifting of

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normal governmental operations onto the financial books of the Federal government is a subversion of unemployment relief in order to effect tax relief. He adds:

Pauperizing the public service by the progressive encroachment of the relief work system into public business is hardly a desirable goal. Can we view with anything short of dismay a situation in which public business would be carried on to a large degree by the casuals of the economic war? Could anybody approve a civil service system that set as its first requirement for employment an inability to get a job anywhere else? We have not come anywhere near that yet, but the tendency is apparently in that direction!

City fathers, zealous in resisting interferences of state or Federal governments in municipal administration, must realize that administrative supervision is the inevitable consequence of financial support. Financial paternalism without administrative regulation is a rare phenomenon. "Home rule" and municipal mendicancy are utterly inconsistent!

Doubtless many municipalities that took a terrific beating during the depression needed and still need a helping hand from Uncle Sam or anybody else to keep them from sinking beneath their own bond defaults. However, the question may occur to one reading Editor Herring's astute observations: If some of our cities paid more attention to their own proper business of municipal government and paid for it themselves what it should cost, would they still have the disposition as well as the spare dollars to be loitering in front of the attractive Public Ownership windows which are so prominently displayed in Washington?

—E. S. B.

EDITORIAL COMMENT. *Public Management*. March, 1936.

GOVERNMENT OR RELIEF PROJECT? *Public Works Engineers. News Letter*. March, 1936.

## Is Public Relations Worth the Bother?

WHEN two such all-American pulse feelers as Stanley Walker and Edward L. Bernays talk over the subject of public relations, it behooves the rest of us to stand by, keep quiet, and listen; that is, if we want to learn something. It was Editor Raymond Moley of *Today* who had the happy thought of getting these two experts on public opinion to discuss through his magazine the case of *People v. American Business Man*.

One cannot think of Stanley Walker without just naturally thinking of a newspaper editor, although at the great age of thirty-eight he is already retired from service at the city desk of the *New York Herald-Tribune*. From his rich background of experience with public sentiment, Walker brings forth the conclusion that the business man of today is a sort of Caspar Milquetoast, hiding behind a protective covering of public relations counselors who, in many cases, do him more harm than good.

Why does the business man run around with that scared look in his eye? Mr. Walker says it's from force of habit. The business man of today has grown to realize that he is a shining target for politicians and smart aleck journalists who pick up everything he says and does and twist it in such a fashion as to "make him look like a sap, which, of course, he may be." This barrage of criticism has driven the business man behind closed doors and forced him to do things by indirection which other classes of citizens do openly. For example, when the laborers, the farmers, teachers, and others want to whoop it up for their particular candidate they not only make it public but, like as not, they hold a big party and the more noise about it the better. On the other hand, Mr. Walker points out how certain business men of his acquaintance who wanted to get together quietly on proposing a mayor, had to sneak and skulk about it—afraid of their lives of: (1) reprisals from the incumbent administration;

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Nashville Banner

### TAKING NO CHANCES

(2) resentment by their own stockholders; (3) business boycotts by customers who belong to an opposition party.

CONSIDER, says Mr. Walker, the low estate to which the very word "banker" has fallen. No longer does it mean a respectable, substantial citizen—"at the moment the word is an epithet." Every man whose name was on the recently published salary list over \$10,000 is probably supposed to feel ashamed of himself and perhaps a good many are.

And where, asks Mr. Walker, was the great American public relations counsel while all this was going on? He was doing little except to make matters worse occasionally. Mr. Walker explains:

Suppose a newspaper, a magazine, a news-reel company, or a radio station wants to get some information from an important man or a big corporation. Almost always, even when the information sought is relatively trivial, an appalling amount of flummery must be gone through with before the object is accomplished. The press agent

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must be located; he must talk to someone else; there must be conferences and memorandums. By the time the information is obtained it may be too late. We have come a long way from the simple, rude times when it was possible for a reporter to walk up to a man, inquire "How are you?" and get a straight, unterrified answer. The rules have been changed. It must be done now by red tape and complex organization. All this makes more jobs, piles up more telephone bills, makes a lot of people feel important, but it doesn't help much in getting at the facts.

There is a very rich man in New York who, though affable and kindly when he meets a newspaper man at dinner or in a club, will never give out any information whatever except through his duly appointed public relations counsel. This counsel is one of the most elusive, evasive men ever heard of; it's even money that on a cloudy day the Pinkertons couldn't find him. The point here is that the rich man is intelligent; he is perfectly able to take care of himself in rough-and-tumble questioning of any sort. But the code, somehow, forbids frankness and directness. This scheme undoubtedly saves many men from annoyance, but on the other hand it may encourage snooping, or lead to rumors and horrific innuendoes which need never have started in the first place.

OF course, Mr. Walker concedes the value of publicity. Without it, he says, it would be almost impossible to launch any successful ventures, and there's so much to think about nowadays. There's the news angle, the radio angle, the newsreel angle, and the important columnist angle, where consideration must be given to the opinions held by such thinkers as Winchell, McIntyre, Sobol, Sullivan, etc. Mr. Walker grants that many publicity men and public relations experts (he lumps both together) are doing splendid jobs for their respective clients. Foremost, he places Charles Michelson of the Democratic National Committee; Merle Crowell (Rockefeller Center); Albert Crockett (hotels); Dexter W. Fellows (circuses); Richard Maney (theaters); Charles S. Washburn (Broadway press agent); Monte Proser (night clubs); Edward L. Bernays (industrial specialist); Steve Hannagan (Florida), and of all people—Thomas W. Lamont of the House of Morgan.

It can be seen at a glance that in Mr.

Walker's list of common success there are some who are as far apart as the poles. For example, it is doubtful if the peppery theatrical press agent Mr. Maney would understand what Mr. Lamont was talking about and *vice versa*. But they have this in common; they know their own job and that, believes Mr. Walker, is as near a key as anything to good public relations. Don't make the mistake of ruining a good theatrical press agent by putting him in charge of utility publicity. The Bell system, whose relations have been handled almost perfectly, is in the hands of men who either grew up with the business, or at least know what they are talking about.

Edward L. Bernays, mentioned as a top-flight public relations expert by Mr. Walker, picks up the story just about where Mr. Walker leaves off. Analyzing the average American business, he finds that its control is divided into two classes: (1) the practical leaders who grew up from the ranks and know the business inside out; (2) the professional leaders who came into the business sometime in their lives for special reasons and remained—they are the lawyers, engineers, and accountants who have helped to rationalize American business.

IT is into the latter category that Mr. Bernays believes the new profession of public relations fits. It is a professional service made necessary by the complications of modern industrial operations as they affect the public. Says Mr. Bernays:

It was almost inevitable—certainly it was logical—that American business should almost force the creation of a professional to deal with all of these new situations in public relations that faced business. It was obvious that this professional could not be the slave of private interests. This specialist, on a parity with the business man, had to have a detached objective point of view which would enable him actually to fulfil the function that the changed conditions had created. So public relations work developed as a profession—a profession just like law or accountancy or engineering, to help the industrialists with advice and counsel in fac-



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ing and meeting some of these new public relations problems he had to face.

Unlike Mr. Walker, Mr. Bernays draws a sharp line of distinction between the public relations counselor and the ordinary public relations agent or publicity man. The former, he says, has little to do with newspapers—has no mimeograph and does not resort to crude propagandizing or shirt stuffing. Mr. Bernays continues with the following observations:

The press agent, the publicity man, of the theater and of music and of the screen had a problem of dealing with the public, just as the counsel on public relations to business and finance has a problem of dealing with the public. But the problem is entirely different. The men of the theater, music, and the screen, had to make known to the public a product they could not change. No press agent changed a line of a play. He reflected an actual condition, either accurately or exaggeratedly, to the public.

The new professional, on the other hand, deals with an entirely different problem. He is the interpreter of the public to his client, as well as of his client to the public. His concern is not with the media of dissemination alone. His concern is to modify the events, the circumstances, the policies of his client to conform to the public interest, just as a lawyer advises the client to conform to the law.

Mr. Bernays complains that the failure to observe this distinction has resulted in poor public relations through confusion as to two different but important functions: public relations and publicity. He lists seven very difficult

but typical questions involving public relations problems to show that it takes much more than mere publicity tub thumping to solve them. It takes serious and important managerial consideration and sometimes grave adjustments in managerial policies.

This then is the criterion of a counsel on public relations, according to Mr. Bernays. These men sit on the boards and in the inner council chambers of the corporations or interests they serve, performing services which Mr. Bernays sums up as follows:

For the capitalist system to be maintained, it is important that the public and the private interest be closely interrelated. That function can be performed most effectively by someone trained in a knowledge of what the public interest demands, by someone who can at least attempt to foresee what the public interest will require, and relate the private interest to it.

Unfortunately for the utility executives with a specific public relations problem, such general principles are only the beginning. The real job is to pick an expert such as Mr. Bernays and follow through, often in the face of directors, shareholders, and what is most important, the fates who control the affections of Lady Luck.

—F. X. W.

THE TIMID SOULS OF BUSINESS. By Stanley Walker. *Today*. March 14, 1936.

PRESENTING AMERICAN BUSINESS. By Edward L. Bernays. *Today*. March 28, 1936.

## A Powerful Atlas?

READERS of the FORTNIGHTLY who were moved by our recent review of the two new power maps of the United States, published by the Federal Power Commission, to obtain the same, will doubtless be interested to know that there is available at a reasonable price (considering the high cost of such work), a valuable companion work in the form of a bound atlas, published by *The Journal of Commerce*, New York.

The difference in form only is ex-

actly comparable to the use of the conventional wall map of the United States and the use of the ordinary desk atlas or map geography. There are times and places when one has special use for a big roll map, and there are times and places when the bound volume comes in handier and permits more careful study of separate states. The new Atlas is quite large in page size (17x11 inches) and most of the individual states occupy a whole page. One state, Pennsylvania,

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occupies two pages. All forty-eight states are reproduced in thirty-two maps. The work is attractively and stoutly bound.

Of course, there is more difference between this Atlas and the Federal Power Commission map than mere form. The Atlas shows information in more detail. Thus, the location and capacity of electric generating plants are shown, the location particularly of hydro plants with regard to the rivers exploited and their proximity to populous centers. Population itself is indicated by a system of color shading.

THE location, ownership, type, and capacity of generating plants, their distance from territory served, and government projects, if any, affecting them are shown. High and low tension tie-ins are shown on all transmission lines, as well as interconnection of various load centers and power plants. Special

symbols are used for company interconnection, both within and across state boundaries. The work should appeal to the same groups as the Federal Power Commission maps; to wit: economists, educators, various public officials, investment banking interests, military authorities, and other utility and industrial groups. The authors of this work have done an excellent job on a difficult subject that has needed attention for a long time.

The only critical suggestion that occurred to this reviewer was about the title—Public Utility Atlas. It seems too broad, inasmuch as the book covers only the electric power industry and might possibly be misleading. However, that is a minor point that could perhaps be argued the other way as well.

—E. S. B.

PUBLIC UTILITY ATLAS. Published by *The Journal of Commerce*, 65 Park Row, New York City. 1936. Price \$25.00.

## Notes on Recent Publications

A LAYMAN LOOKS AT THE SUPREME COURT. By Arthur H. Vandenberg. *Vital Speeches*. March 9, 1936.

AUTOMOTIVE MONEY-SAVING FACTS. By J. F. Winchester. The Traffic Publishing Company. New York. 1936. Price \$3.00. 417 pages.

This book is designed for the bus and truck fleet operators, or individual car operators, who are seeking ways and means to buy transportation at the lowest possible figure. Questions as to the size, price, depreciation, maintenance, and type of automotive equipment are discussed in detail by one of the most competent and experienced automotive engineers in the country.

BARGAIN GAS RATES. By Harry I. Miller. *Western Gas*. March, 1936.

A description and analysis of an electric low cost plan adopted last summer by the Wisconsin Public Service Corporation, and a discussion of the possibility of developing a similar plan for residential gas service.

COST OF GENERATING AND TRANSMITTING WILSON DAM POWER. By H. S. Bennion. *Edison Electric Institute Bulletin*. March, 1936.

CURBING THE COURT. By Edward S. Corwin. *Vital Speeches*. March 9, 1936.

DOMESTIC SERVICE IN 1935. By William M. Carpenter. *Edison Electric Institute Bulletin*. March, 1936.

FARM ELECTRIC SERVICE IN 1935. By William M. Carpenter. *Edison Electric Institute Bulletin*. March, 1936.

HOW TO BUILD UP FURNACE EFFICIENCY. By Jos. W. Hays. Dunes Publishing Co. Michigan City, Ind. Price \$3.00. 1936.

JUDICIAL REVIEW OF ACTS OF CONGRESS AND THE NEED FOR CONSTITUTIONAL REFORM. By Charles Grove Haines. *Yale Law Journal*. March, 1936.

PUBLIC RELATIONS IN CANADA. By R. B. Baxter. *Edison Electric Institute Bulletin*. March, 1936.

RED-BAITERS AND LOBBYISTS. By Paul W. Ward. *The Nation*. March 25, 1936.

THE UTILITIES AND THE TVA SITUATION. Address of Wendell L. Willkie, Station WEAf and the Red Network of National Broadcasting Co., Inc. March 5, 1936. Reprinted in *Nation's Business*. April, 1936.

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# The March of Events

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## Urges End to Government Competition

THE intrusion of government into competition with private enterprise, "except in situations where the public welfare can only thus be served, is wholly destructive," according to the committee on government competition with private enterprise, it was announced last month by George L. Berry, Coördinator of Industrial Coöperation. The committee's report was made available to President Roosevelt.

The report, after setting forth exceptional circumstances under which the government was justified in entering private industry, concluded that the government's function was to protect the economic activities of its citizens and not to supplant them. It was pointed out that withdrawal from private enterprise would reduce governmental expenditures and increase Federal revenues.

## Offers States Aid

A PLAN for the Federal Communications Commission to supply state public service agencies with information gathered in its investigation of the American Telephone and Telegraph Company was outlined last month by Commissioner Paul A. Walker.

Commissioner Walker, who has directed the inquiry, said the FCC, upon application of a state agency, could send witnesses thoroughly acquainted with the workings of A. T. & T. to testify regarding the cost of telephone equipment, long-distance revenues, and other matters. This arrangement, he added, would be in line with the FCC policy "of coöperating with local authorities."

## Cites Cost of Power War

EFFORTS of litigants to prevent the construction, extension, or operation of publicly owned electrical generating or distributing systems have cost nearly \$13,000,000 and operating delays of 289 years, according to a report to the Senate by the Federal Power Commission, made public March 29th.

After a survey of all such injunction suits since 1888, in response to a Senate resolution, the commission reported that delays caused by each case averaged one year, two months, and four days. Expenses incurred from legal fees, salaries to witnesses, printing, and other costs, listed as "direct expenses," totaled

\$376,233 for 198 cases. "Indirect expenses" totaled \$11,920,207 in 162 cases.

Summarizing its report, the power commission said the majority of the restraining orders had been sought during the past five years. Only 90 suits were brought prior to 1931, and 186 since then were recorded. The earliest case was dated 1888, according to the commission, and up to the end of 1920, only twenty-six actions had been instituted.

"Since 1930," the report said, "127 cases have been instituted against public authorities not involved in PWA or TVA proposals or activities; 50 cases involving PWA loans or grants; and 9 cases against the nineteen public authorities concerned in the Tennessee Valley Authority's proposals."

## Rural Electrification Funds Allotted

ALLOTMENT of funds totaling \$121,300 to bring central station electricity over 120 miles of new distribution lines to more than 400 farm families in Iowa and western Illinois was announced last month by Rural Electrification Administrator Morris L. Cooke. The new projects bring the total amount contracted or definitely earmarked for 46 REA projects to \$8,265,912 to build 7,600 miles of line to take power to over 28,000 new customers.

Mr. Cooke also announced progress on several projects for which loan contracts have already been signed. Construction has been started by the Florida Power Corporation on 184.6 miles of extensions to be built in 21 localities in northern and western Florida. Bids for the construction of 78.6 miles of distribution lines in Meigs county, Tennessee, were also opened. Specifications for 99.1 miles of line to be built by the Georgia Power & Light Company in 11 Georgia counties have been approved.

## SEC Extends Deadline

IN making public last month rules regarding service, sales, and construction contracts under the Public Utility Act of 1935, the Securities and Exchange Commission exercised its exempting power by permitting registered holding companies and subsidiaries to carry on such activities at cost until August 1st.

Under the provisions of § 13 of the act, holding companies are forbidden after April 1st to perform such services for any member

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of the same holding company system which is a public utility or a mutual service company. The commission, however, was authorized to exempt transactions which are not executed in the ordinary course of business or which involve special or unusual circumstances.

In treating of the status of the holding company, therefore, the commission provided that after August 1st servicing by registered holding companies should be restricted to a narrow range of circumstance, such as where the holding company is primarily an operating company and incidentally performs services, where there is an emergency, or where the holding company sells goods bought for its own use.

### Flood Control and Navigation

**R**ECOMMENDATIONS that six new dam projects to cost \$144,500,000 be undertaken were contained in a report filed with Congress March 30th by the Tennessee Valley Authority, covering its progress and plans for the integrated development of a navigation, flood and control, land conservation, and power program for the seven Tennessee valley states.

Congress already has authorized works, the completion of which will require \$185,188,525, and has appropriated \$111,000,000 for the authorized program. If the recommendations of the TVA for new dams are carried out, the total outlay for the TVA project would amount to \$329,688,525.

The proposed dams would be located at intervals along the river from the Gilbertsville dam, only 23 miles from the river's mouth, to the Coulter Shoals dam, 604 miles above the mouth of the stream. Besides the two mentioned, the Watts bar and the Fontana dams would be built and Wilson dam and Hales Bar Pool dam would be raised.

The most expensive project would be the Gilbertsville dam, which the report estimated would cost \$60,000,000. Watts Bar dam would cost \$31,000,000, Fontana dam \$29,000,000, and Coulter Shoals dam \$2,000,000.

### Outlines Business Program

**C. M. CHESTER**, president of the National Association of Manufacturers and chairman of the board of the General Foods Corporation, gave the point of view of industry in a talk March 30th over Station WJZ and a network of the National Broadcasting Company.

Business, he said, was being hampered by too much impractical and unworkable advice. Industry, according to Mr. Chester, though now on the threshold of new accomplishment, was being held back by political threats that frighten long-term capital away from investments in durable goods, by labor legislation likely to increase disputes and by a widespread political publicity campaign.

He attacked the thesis that industry hitherto had drifted without plan. Big business, he

declared, was not the result of any haphazard plan, but, on the contrary, the result of private initiative and the application of sound principles proved by time and experience. He assailed the brain-trusters by inference as "men who have never produced anything and who cannot point to a single enterprise under their control competently and productively managed."

Another important factor in the evolution of industry was, he said, the reinvestment of profits and the segregating of a part of them as a reserve against times of depression and for necessary expansion.

### Wins over Telephone Firms

**A** SPECIAL Federal statutory court on March 27th vacated an injunction against the Federal Communications Commission and directed the American Telephone and Telegraph Company and 28 associated companies to comply with the commission order directing them to install a new accounting system. The order of the court was stayed for thirty days to permit the utilities to apply to a supreme court justice for further stay pending outcome of an appeal to the high court.

Under the new system, which the court ordered applied as of January 1, 1936, telephone companies would be required to list actual cost of properties held by them as of the date upon which they were dedicated to public service, usually under predecessor companies.

### Rules Act Invalid

**T**HE National Labor Relations Act was declared unconstitutional in its entirety by Judge John P. Barnes in the Chicago Federal district court March 24th. He filed a 21-page memorandum in a suit brought February 1st by the Bendix Products Corporation of South Bend, a subsidiary of the Bendix Aviation Corporation, and said he would issue a preliminary injunction restraining the Federal labor relations board from interfering with the business of the petitioner.

In some of the many suits all over the United States, questioning the legality of the labor act, injunctions have been granted, but Judge Barnes' ruling was said to be more sweeping than opinions previously given.

### National Rivers and Harbors Congress

**T**HE thirty-first annual convention of the National Rivers and Harbors Congress was to be held in Washington, D. C., April 27th and 28th, it was announced last month by Representative Dewey Short of Missouri, national vice president of the organization.

The devastating floods recently occurring

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have focused nationwide attention upon the need for vigorous and immediate action looking toward prevention and control of the destructive floods which every year take such fearful toll of human life and property throughout the United States, it was pointed out in the official call for the convention of the association, which for many years has taken a leading part in the movement for control and conservation of the nation's water resources. Engineering estimates that losses caused by the floods which could be prevented have averaged more than \$300,000,000 annually will be greatly exceeded by this year's widespread flood disasters, it was stated, while the annual losses from soil erosion were placed at more than \$400,000,000.

The intense interest in every section of the country in the flood problem, together with the administration's proposal to continue in the coming fiscal year the public works relief program, which would make available funds for these projects, and the important and far-reaching measures relating to waterways, their

control and use, pending in Congress, were expected to result in perhaps the largest convention in the association's history.

### Denies Review

THE government won a victory on March 30th when the Supreme Court rejected the plea of Burco, Inc., to decide the constitutionality of the utility holding company act through a review of its suit against the American States Public Service Company. The court made no explanation, merely saying in its one-line typewritten order that the request had been "denied."

However, the government, in opposing a review as a "friend of the court," argued that the Burco suit was "inappropriate" for a constitutional decision. Its lawyers contended that the suits of the Securities and Exchange Commission against the Electric Bond and Share Company supplied the proper constitutional ground.

## Alabama

### Considers Water Plant Purchase

PROPOSALS for the purchase of the plant of the Birmingham Water Works Company under an option contained in a contract made by the city and the company in 1921 were discussed at a conference of the city commission last month. All members of the commission expressed themselves in favor of the purchase if details could be worked out. No action was taken at that time, however.

Under provisions of the 1921 contract, the city holds an option to buy the plant at an agreed valuation on six months' notice to the water company. The basic valuation set in the contract is \$7,750,000. The contract provides that the cost of all improvements shall be added to that valuation and depreciation shall be deducted from it.

### Power Company Loses

IN twin cases the state supreme court last month denied the request of the Alabama Power Company to reverse decisions of Col-

bert circuit court dealing with PWA contracts for electric distribution systems for Sheffield and Tuscumbia.

The power company based its original suit on original contracts made between the cities and the PWA, and which later were terminated while the case was pending in supreme court. The power company asked that the cities be restrained from accepting the loan and grant to construct electric distribution systems in competition with the existing systems owned by the utility. Counsel for the utility asked the supreme court to reverse the cases in order that they might be amended to include new contracts which had been entered into between the cities and the PWA after the suit was filed.

In affirming the lower court's decisions refusing to restrain the cities from entering into the old contract, the supreme court denied the request from the power company to send the cases back in order that they might be amended to include the new contracts. The supreme court dismissed the case on the grounds that since the old contracts had been terminated, there was no question to be determined.

## Arkansas

### Telephone Rate Inquiry

A STATEWIDE investigation of rates charged by the Southwestern Bell Telephone

Company was begun late last month by the Arkansas Department of Public Utilities. The department issued an order approving a revised rate schedule for El Dorado, as sought



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by the city council of that community, and consolidating the El Dorado case with six appeals filed by the telephone company against rate-reducing ordinances passed by the city councils of Rogers, Bentonville, Walnut Ridge, Helena, West Helena, and Hope for the purpose of the general investigation.

The El Dorado complaint was filed in the days of the fact finding tribunal, which was superseded by the department of public utilities under provisions of a 1935 act. The rate reductions in the other six cities occurred after the present department of public utilities was formed.

The telephone company was ordered to begin within thirty days an appraisal and in-

ventory of all its property in the state to be used by the department in its investigation. It has exchanges in 86 cities and towns of Arkansas.

### Rural Projects Approved

**H**ARVEY C. Couch, president of the Arkansas Power and Light Company on March 26th approved plans for two additional rural electrification projects which will cost about \$14,000 and make electric service available to 98 homes, farms, stores, and other establishments in Phillips and St. Francis counties.

## California

### Natural Gas Rates Cut

**T**HE Pacific Gas and Electric Company on March 16th announced a cut of approximately \$2,500,000 a year in natural gas rates, effective May 1st, throughout northern California.

The reduction is \$400,000 more than the reduction ordered by the state railroad commission in 1933, and which the commission was enjoined from enforcing in a decision last month by a 3-judge Federal court.

In announcing the voluntary reduction, the president of the company pointed out that conditions have changed considerably since 1933, both as to the general economic situation and as to abnormal expenses incident to the introduction of natural gas. It was also pointed out that the company's recovery has been largely due to an intensive campaign for new business carried on throughout the depression, which has increased the use of gas.

The new rates were said to compare favorably with rates "anywhere in the United States where gas is transported 250 miles as it is here."

### Boulder Dam Electricity

**N**O material advantage or disadvantage was anticipated by the Pacific Lighting Cor-

poration from the Boulder dam supply of electricity, stockholders of the company were told in the annual report by President C. O. G. Miller. The financial figures in the report were the same as reported in the preliminary statement early in February, showing 1935 net income of \$8,185,156, against \$5,562,485 in 1934.

The report points out that the contracts between the government and the companies and municipalities which will purchase power generated at Boulder dam call for the installation by the government of the electric generating apparatus, the cost to be repaid by the operators over a period of years by annual payments, which at the end of the period will have reimbursed the government for its outlay, plus a low rate of interest. The contracts further provide that the operators shall pay for the energy at the rate of 1.63 mills per kilowatt hour of primary power and 0.5 mill per kilowatt hour for secondary energy. To this cost must be added the cost of bringing the electricity from Boulder dam to the distributing companies' substations, and the annual payments to the government to reimburse it for the installed electric apparatus. Pacific Lighting has contracted to purchase Boulder dam electricity equal to about one half of its present demands at a cost difficult to state in exact figures, as that cost depends upon many factors, according to the report.

## Colorado

### Suit over Utilities Control

**D**ENVER and the ten other home-rule cities of Colorado, and the public utility corporations serving them, were invited by the

attorney general last month to appear as friends of the court in a case pending before the state supreme court to determine finally the right of the state public utilities commission to regulate rates in home-rule cities.

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Years ago, in what was known as the telephone case, the state supreme court decided that the utilities commission had no jurisdiction over utility rates in such cities. The court was divided. In the present case of *Spears v. Public Utilities Commission*, an attempt is being made to get the court to reverse

its former ruling and hold that the public utility's commission has the power to regulate rates in home-rule cities, as well as outside of them.

Under the ruling in the telephone case, regulation of utility rates in home-rule cities is reserved to those cities.

### Florida

#### Perpetual Phone Inventory

THE Florida Railroad Commission in a letter signed by Theo T. Turnbull, counsel, on March 23rd advised City Solicitor Abe Aronovitz suggestions he recently made relative to keeping a perpetual inventory of telephone properties were being put into effect.

Aronovitz made the suggestions after a public statement of J. E. Warren, president of the Southern Bell Telephone & Telegraph Company, in which the latter described increased profits and proposed expenditures for the

Coral Gables exchange. The solicitor's action at that time was interpreted as being a move toward reopening the city's fight for lower rates.

The railroad commission is said to have both its telephone engineer and his assistant engaged in making for each telephone company under the jurisdiction of the commission what might be termed a perpetual inventory of properties used and useful in furnishing telephone service. It is the plan of the telephone engineer to keep this inventory as near up to date as it is practicable to do so.

### Indiana

#### Asks Trolley Franchise

THE Indianapolis Railways, Inc., last month submitted a proposal to the works-sanitation board asking for a 20-year franchise and offering to pay \$275 a mile annually for the upkeep of streets over which it now operates its trackless trolleys without charge and without permission from the city, according to recent press reports.

The proposal was said to have been sent in written form to the board, which had expected to deal directly with representatives of the railway company in conference. Although the board declined to comment on it, it was said that the proposal would be submitted to the mayor and the city legal department.

The Indianapolis Railways, Inc., has operated its trolleys free of any cost since November, 1932.

### Kansas

#### Differ on Water Rates

THE city commission last month was divided in opinion on whether the city departments should pay full rates for water they use, the same as private concerns. Some of the commissioners felt that it was an unfair arrangement for the water department to make a profit from sale of water to the city depart-

ments, since that profit in reality came from the taxpayers who pay the costs of the city's operations. They believed the water should be furnished at actual cost, since the taxpayers are expected to pay only for the actual cost of government.

Until the matter of rates for water is settled, the city departments are withholding payment of their bills, since January 1st.

### Massachusetts

#### Kills Merchandising Bill

THE state senate on March 30th refused, 8 to 11, to substitute a bill of Senator John S. Sullivan of Worcester, which would pro-

hibit gas companies from selling gas stoves and other gas appliances.

Senator Sullivan said the purpose of the bill was to limit the activities of gas companies to the sale of gas. The senator is also quoted

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as saying that the bill would "mean thousands of dollars to the business men of this state."

### Favors Public Ownership

**T**HE legislative committee on metropolitan affairs went on record last month as strongly in favor of public ownership of the Boston Elevated Railway. Eliminating all other methods of dealing with the Elevated situation, nine of the fifteen members of the

committee in an executive session voted to report a bill placing only two questions on the ballot at the next state election to be decided by the voters of the metropolitan transit district:

(1) Shall the metropolitan district acquire ownership of the Elevated through exercise of the option in the present public control act?

(2) Shall the metropolitan district acquire ownership of the Elevated through eminent domain?

## Michigan

### Ban on Ground Wires

**R**ADIO fans no longer will be permitted to hook their ground wires onto water pipes, nor can such connections be made for washing machines, automatic oil burners, and other electrical devices, if Joseph J. Wernette, superintendent of the municipal light and water department of Grand Rapids, has his way. He protested last month that considerable damage in the form of electrolysis is done to the water pipes.

### Appeals Tax Ruling

**T**HE state board of tax administration last month filed notice with the Ingham circuit court that it would appeal to the state supreme court from a ruling that it has no right to levy the sales tax on the sales of electricity by municipally owned plants. Circuit Judge

Leland W. Carr ruled recently that the legislature did not intend the levy should be so applied.

### Rejects Bus Franchise

**F**LINTELECTORS last month rejected a proposal to grant a 10-year franchise to the Flint Transportation Company for an exclusive gasoline bus system. The vote was no, 13,111; yes, 4,178. A three-fifths vote would have been required to approve the franchise.

Street car service, operated on a day-to-day basis since the franchise of the Eastern Michigan System expired more than a year ago, was to be abandoned April 1st by order of the city commission. The Eastern Michigan concern has offered a temporary transportation system until a vote can be taken on a franchise it asks for the operation of trackless trolleys and busses.

## Mississippi

### "TVA Acts" Passed

**B**ARELY beating adjournment of the state legislature, five so-called "TVA bills" were acted upon by the senate last month and were expected to receive approval by Governor Hugh White. The acts set up a "Mississippi Rural Electrification Authority," ad-

ministered by a board of three members, to be named by the governor, and a TVA state authority which would cooperate with Federal TVA in enabling small communities to negotiate and contract for electric power. The other bills include a "power district" act and "electric membership corporation" act, and a revenue bond act for municipalities.

## Missouri

### Utility Tax Levy

**M**AYOR Dickmann of St. Louis on March 30th signed an ordinance, recently passed by the board of aldermen, which would levy a tax of 5 per cent on the gross receipts of gas companies doing business in St. Louis.

It was estimated that the Laclede Gas Light Company, which will be hardest hit by the new ordinance, will pay approximately \$300,000 a year to the city. The Mississippi River Fuel Corporation, which sells natural gas to the Laclede and also distributes to its own consumers in St. Louis, would also be subject

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to the tax, but no estimate of the revenue that would be derived by the city from this source was made.

The Laclede Company, at a recent public hearing on the bill, objected to its provisions,

contended it already pays its fair share of taxes to the city. The validity of the tax was expected to be contested in the courts by the gas companies. The ordinance was to become effective in thirty days.

## New Jersey

### Tax Held Unconstitutional

THE Hunziker Act imposing a 5 per cent gross receipts tax on hydroelectric companies was declared invalid March 26th by the state supreme court. The decision was handed down in an action by the city of Paterson to collect taxes from the Society for Establishing Useful Manufacturers, which was chartered in 1791 by Alexander Hamilton.

The city had sought for years to collect from the society, but it lost virtually every court action. In 1935 the state legislature enacted the Hunziker measure, aimed, the de-

fendant's lawyers claimed, solely at the society.

Supreme Court Justice Joseph Perskie cited five reasons why the law is invalid. First, he said, it imposes a tax on the society only; secondly, it taxes a company producing electricity by water power, but does not affect companies producing current by steam or other means; third, it taxes the use of water power for production of electricity, but not for any other purpose; fourth, it taxes not only the company's receipts from sale of this power, but from other sources, and last, imposes the tax solely because the society's property is exempt from local taxation.

## New York

### Mayor Attacks Utilities

MAYOR La Guardia went to Albany last month to urge prompt and favorable action by the legislature on his "yardstick" bill to enable New York city to establish and finance a municipal power and lighting plant without pledging the city's credit. The mayor appeared at a joint hearing before the cities and public service committees of the senate and assembly on the bill sponsored by Senator Burchill of New York and Assemblyman Fitzgerald of Queens.

The measure was drafted under the auspices of the mayor's conference and has the backing of that organization, together with that of a number of civic groups in New York city, including the Citizens Union and the City Club.

Strong opposition to the bill developed, not only from the Consolidated Gas Company, against which corporation it is chiefly aimed, and the Niagara-Hudson Company, which would also be directly and, it was declared,

destructively affected should the "yardstick" bill become law, but also from a group of influential civic organizations in New York city.

### To Study Utilities

AN extra appropriation of \$203,474 to provide personnel and material to complete its program of surveying the value and re-assessing all property owned by public utilities in New York city was being sought last month by the board of taxes and assessments. After a survey last year, the board increased the assessments of a number of utilities, most of them Consolidated Gas Company units, by \$203,000,000 which will bring an additional \$5,400,000 in tax revenue into the city treasury this year.

In the formal request for funds, which was referred to the aldermanic finance committee, the tax board contended that the utility property survey "must be continued to secure equitable assessments and protect the best interests of the city and taxpayers."

## North Carolina

### Survey Termed "Inaccurate"

THE Federal Power Commission's recent survey of electric rates in North Carolina took into consideration the schedules maintained in 177 of the state's smallest

towns on an equal basis with the rates charged by the major utilities. Commissioner Stanley Winborne pointed out last month, in terming the survey as "most inaccurate."

The commission several weeks ago announced the average charge for a block of

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25 kilowatt hours of current in the state to be \$2.08. At that time Mr. Winborne declared the announcement misleading and

cited figures showing rates charged to over 97 per cent of the domestic consumers average \$1.51 for the 25 kilowatt-hour block.

### Ohio

#### Cuts REA Carrying Charge

THE state utilities commission last month ordered a reduction to 1 per cent of the guaranteed minimum monthly charge to consumers on the cost of rural electric lines.

In 1930 the commission authorized a charge of 2 per cent per month for four years on such lines, and extensive hearings have been held on the proposed reduction, which was to become effective May 1st.

Chairman Hopple of the commission declared this step would do more to restore proper relations between rural consumers and the power companies than any other heretofore taken since the general extension of rural electrification.

#### Rate Reductions

THE public utilities commission has announced through Chairman E. J. Hopple

that for the first quarter of 1936 the utilities operating in Ohio had made reductions in their rates which, upon the basis of the business for the previous twelve months, will accord their consumers an annual reduction of \$1,889,340.37.

These reductions in rates were negotiated by the commission without formal hearing or were voluntarily made by the operating companies.

By classification, the reductions are as follows:

|                   |                |
|-------------------|----------------|
| Electricity—      |                |
| Domestic .....    | \$1,025,089.97 |
| Commercial .....  | 659,267.20     |
| Industrial .....  | 201,697.00     |
| Total .....       | \$1,886,054.17 |
| Gas .....         | 3,286.20       |
| Grand total ..... | \$1,889,340.37 |

### Oregon

#### Advises Utility Option

STEPS to retain the city's right to take over the Northwestern Electric Company, despite the fact the people overwhelmingly defeated a \$50,000 tax levy to finance appraisals, were recommended last month to the city council by Mayor Carson. The mayor suggested that the city attorney outline the conditions under which the option may be extended.

The mayor said that defeat of the tax levy by the people did not mean "they have lost interest in the city's option and I believe it the council's duty and responsibility to do what

it can promptly to tie up the company on a suitable extension."

#### To Publish Book

"BONNEVILLE" will be the central theme of the annual report of the Portland Chamber of Commerce, it was announced last month. The report was to be in book form and would show the developments that have resulted and will result from the construction of Bonneville dam.

The report is to be distributed to chamber members and industrial prospects for Portland.

### Rhode Island

#### Utility Savings Assured

ASSERTING he has no patience with those who urge him to turn the public utility world upside down overnight, or with Democratic or Republican "glory seekers" claiming credit for rate reductions achieved thus far, Frederick A. Young, chief of the state division of public utilities, last month predicted that by

June 1st he will be able to show how "hundreds of thousands of dollars" will be saved annually by consumers. Mr. Young disclosed several moves he was making to effect electric, water, and transportation rate cuts and disclosed that he had asked the Narragansett Electric Co. to simplify its corporate structure. Negotiations with that company, he said, were not the only ones he was carrying on.



## THE MARCH OF EVENTS

### Introduces Utility Legislation

A \$3,000 appropriation for a survey and test of all gas and electric meters throughout the state by the division of public utilities was provided in a bill introduced last

month by Representative Heffernan (D.).

Representative Curvin (D.) of Pawtucket introduced an act authorizing Pawtucket to hire \$5,000,000 for purchase and operation of a municipal utility system. This was the same measure he introduced at the 1935 session.

## Tennessee

### To Vote on PWA-TVA Plan

THE board of mayor and aldermen of Columbia, at a meeting called last month by Mayor Eldridge Denham at the request of four members of the board, voted unanimously to accept the PWA-TVA grant and loan for construction of a distributing plant for Columbia using TVA power. In voting their acceptance of the funds the board also voted to call an election, to be held within ninety days, giving the people of Columbia a chance to accept or reject the proposition.

June 25th was subsequently set as the day for the people of Columbia to register their vote for or against the PWA loan of \$204,000.

### Urges TVA Referendum

RESOLUTIONS calling for a "free and fair" expression by the people on the question of TVA power for Nashville and Davidson county; for an investigation by the lobby committee of Congress into the activities of the power companies in Tennessee, and for immediate steps to ascertain the cost of an adequate distribution system for Nashville and a conference with the mayor and board of public works regarding such survey, were adopted

last month at the conclusion of a mass meeting held in Nashville under the auspices of the TVA Power League.

Speakers included Senator George Cate, president of the city board of education and candidate for the Democratic nomination for governor; Paul Treanor, R. M. Atkinson, James Hailey, representing organized labor, and Alexander Looby, representing the Negroes. The meeting was attended by approximately 400 persons.

### To Build Municipal Plant

MEMPHIS was reported last month to be going ahead with plans for a municipally owned and operated electric distribution system to take energy from the TVA. The city was expected to employ Roy Husselman, Cleveland consulting engineer, to design and supervise construction of the system if the private power company's property is to be duplicated. Husselman was the chief engineer for the recently completed New York state legislative committee probe of utilities.

It was expected that Memphis would attempt to purchase the property of the Memphis Power & Light Company, as approved by the voters in November, 1934.

## Texas

### Lower Rates Obtained

OPENING the way for lower electric rates to business institutions using considerable amounts of energy, Utilities Supervisor Joseph F. Leopold of Dallas reported last month that savings totaling \$17,500 a year had been worked out with the Dallas Power & Light Company. Councilmen approved the new schedule, which was expected to affect the

bills of at least 151 customers whose monthly charges are a minimum of \$85. Mr. Leopold said at least 96 customers would be affected immediately and 55 more could take advantage of it.

Mr. Leopold said he was hoping to get the company to grant a lower rate for small industrial concerns that use considerable energy but which have to pay about the same as the domestic rate.

## Virginia

### Approves Busses

THE Petersburg city council in special session last month revised the city ordinance

to regulate motor bus passenger transportation within the city limits with provisions for the Virginia Electric and Power Company to surrender their old franchises and replace elec-

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tric cars with bus service. The terms of the agreement between the city and the electric company, under which the change will be made and will operate, were drawn in detail and incorporated in the new ordinance. It was understood that the power company, which allocated \$36,000 in the 1936 budget to modernize transit service in Petersburg, ordered five new busses recently to serve local routes. Under terms of the agreement as approved by the council, the company will remove all poles and wires from the city streets.

### Rural Line Authorized

**A**N order approving organization of the Farmers' Rural Utilities, Inc., of Bowling Green, and authorizing issuance of 10 shares of no-par value stock at \$25 a share, was entered March 28th by the state corporation commission. The company was said to be the first coöperative to be authorized in Virginia for developing rural electrification with money to be supplied by the Federal Rural Electrification Administration.

H. Lester Hooker, of the commission, said the concern would apply to the REA for a \$366,000 loan to construct lines to supply an estimated 1,600 consumers in rural areas of Caroline and neighboring counties.

### Forms TVA Extension

**A** GROUP of farmers recently met in the office of the county agent and organized the extension TVA for demonstrations to be held on the farms in Appomattox. The officers were elected as follows: president, John E. Burnette; committee, J. P. Paulette, Cloverhill district; J. O. Davidson, Stonewall district; J. D. Moses, Southside district. Several men in Appomattox county were picked to demon-

strate the use of 58 per cent super phosphate and lime on pasture land, and to keep accurate farm accounts.

B. G. Anderson, superintendent of the experiment farm, was present and helped discuss the TVA work.

### Approves Utility Plan

**H.** LESTER HOOKER, of the state corporation commission, following a recent conference in Governor Peery's office, said objections of the commission to the Bustard bill authorizing Danville to operate street cars and bus lines had been met satisfactorily.

Mr. Hooker said the city had agreed to place such utilities under jurisdiction of the commission if it operated them under powers granted by the bill passed by the 1936 legislature. Delegate Maitland Bustard, of Danville, author of the measure, attended the conference.

### Power Rates Reduced

**R**EDUCTIONS in the domestic and commercial rates of the Virginia Electric and Power Company affecting upwards of 85,000 domestic consumers and about 20,000 commercial users of power were announced last month by the state corporation commission after negotiations with the utility. The new rates which became effective April 1st, cut 15 cents from the monthly bill of domestic consumers who paid more than the minimum rate, and 50 cents from that of the commercial consumers who used more than 100 kilowatt hours, it is reported.

The reduction is the fifth made by the electric company in the past two years. Altogether the company has cut its rate a total of \$1,100,000 a year in this period, the records of the commission show.

## Wisconsin

### To Fight Rate Cut

**W.** R. MCGOVERN, president of the Wisconsin Telephone Company, in commenting on the state public service commission's recent order reducing the telephone company's local exchange rates \$863,000 a year, said the firm was obligated "to take such further steps as may be required to prevent any further reduction of our already insufficient revenues."

The order for a reduction equivalent to 8 per cent of the company's 1935 revenues, covering the third largest regulatory project in the nation's history, would become effective on

bills sent out by the company after May 1st.

### Promise to Meet Standards

**W**ORKING with coöperatives organized by farmers under the rural electrical administration, the public service commission through its assistant chief engineer, Charles Hayden, told state telephone men last month that it will see that proper standards of construction are maintained so no telephone or radio interference will be produced. Mr. Hayden spoke at the convention of the Wisconsin Locally Owned Telephone group at Madison.

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# The Latest Utility Rulings

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## Final Rate Reduction Order in Wisconsin Telephone Case

**A**FTER five years of investigation, during which temporary rate reduction orders were issued, the Wisconsin commission entered a final order requiring a permanent reduction of over \$800,000 in local service rates of the Wisconsin Telephone Co. It is estimated that a reduction in hand-set telephone rates ordered last year is saving customers of the company \$105,000 annually in addition.

Two temporary orders were appealed to the Federal District Court but no action was taken on them since 1933, when restraining orders were issued. A third temporary rate reduction order was appealed to the Dane County Circuit Court and it was understood that trial would be deferred pending issuance of the final order which has now been issued.

Salient features of the decision are the total disallowance of service fees paid by the company to the American Telephone and Telegraph Company because, in the commission's opinion, the company failed to prove the value of services given by the holding company; refusal to use prices of the Western Electric Company for valuation on the ground that "by the stroke of a pen" the parent company can boost the rate bases of its subsidiaries by arbitrarily raising Western Electric prices; and deduction from the rate base of the amount accumulated by the company for replacement and retirement of property, on the ground that this amount has been

piled up from yearly charges against customers.

The commission decided that attorneys' fees and other expenses incurred in court litigation against rate reduction should not be allowed as an operating charge but must be paid by the stockholders. Regulatory expenses incurred before the commission are to be distributed over a 10-year period.

A return of slightly more than 6 per cent was estimated to result from the new rates. This was intended to give the company a cushion over a 5½ per cent return which might have been legally justified, in the opinion of the commission.

The commission refused to combine local service and long-distance business in determining rates but suggested that if the company is losing money on long-distance calls, application may be made for increased rates for that branch of the service. The commission expressed the belief that exchange subscribers should not be required to bear the loss, if any, on the company's long-distance business as this would lead to unjust discrimination.

Criticism was made of the method of apportioning expenses between the American Telephone and Telegraph Company and its subsidiaries. Criticism of the Bell System's pension program for employees resulted in revision of the pension contract to make it irrevocably binding on the employing company. *Re Wisconsin Telephone Co.*



## Bond Purchases under Sinking-fund Provision

**A**PPROVAL by the Pennsylvania commission was asked to validate two purchases of securities by the Northern Pennsylvania Power Company from an

affiliated interest where the purchases had been made without commission approval. One of the transactions was approved, while the other was approved

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by the board under a modified form.

The company's mortgage contained the familiar provision that a sinking fund should be established and 1 per cent of the principal amount of bonds outstanding should be paid to the trustee annually, or, in lieu thereof, the company might surrender to the trustee for cancellation bonds which it had acquired.

In the first transaction the company's affiliate purchased \$14,000 principal amount of bonds in the open market at a discount for \$13,417.50, and received payment in cash. These bonds were surrendered to the trustee for cancellation. In this transaction, it was pointed out, the company had effected a saving of \$582.50, and approval of the transaction was granted.

At the time of the second transaction, however, the bonds were selling at 104. The affiliate purchased \$14,000 worth of bonds at \$14,560 and sold them to the company at that price. These bonds were surrendered to the trustee for cancellation. In this case the utility company did not pay for the bonds in cash but instead set up on its books an account payable to the affiliate upon which it was to pay interest at 8 per cent per

annum to December 31, 1935, and 6 per cent thereafter.

The sinking-fund payment due at the time of the second transaction was \$13,699. Therefore the trustee, under the provisions of the mortgage, could have expended \$13,624 upon the retirement of \$13,100 of bonds at 104, leaving only \$75 in the trustee's hands upon which interest would be lost. The commission said that the company had incurred a loss on this transaction which was not necessary. It therefore made the finding that approval of the purchase of \$14,000 of bonds from the affiliate should be approved, but

... only so far as \$13,100 principal amount of said bonds shall have been purchased at 104 per cent of par, \$900 principal amount of said bonds shall have been purchased at par, and the purchase price shall have been represented by a cash payment or a noninterest-bearing open account payable to the vendor. The commission cannot find or determine that the purchase of \$900 of bonds at a premium of 4 points, or the purchase of any of the bonds upon an interest-bearing open account, is either necessary or proper for the service, accommodation, or convenience of the public.

*Re Northern Pennsylvania Power Co.*  
(Application Docket No. 34157).



### Meter Reading Held Not to Be Conclusive As to Amount of Current Used

**A**N electric customer sought a mandatory injunction directing an electric utility to resume the supply of electricity, which had been discontinued because of nonpayment of a balance for electricity supplied. The complaint was dismissed upon a finding that when service was discontinued there was a balance due.

The court declared that how much was actually due for current supplied was a question of fact, and said that upon plain principles "the showing of the meter, tested and found correct, was not conclusive upon either party as to the amount of current actually used." *Cracknell v. Long Island Lighting Co.* 285 N. Y. Supp. 13.



### Protection of Intermediate Points from Unregulated and Depressed Interstate Motor Carrier Rates

**T**HE Washington Department of Public Service ordered that interstate rates and charges published in the

tariffs of common carriers would not apply to intermediate intrastate communities and municipalities where the

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shorter intrastate distance is included within the longer interstate distance and over the same route.

The commission said that, in view of the long and short haul clause of the statute, intermediate intrastate communities and municipalities were governed in so far as transportation rates were concerned by the charges established between the intrastate point of origin or destination and the interstate point of origin or destination, as the occasion might be, so that the intrastate rates to intermediate communities and municipalities located within the state of Washington were subject to the interstate rate or charge which was wholly

outside the jurisdiction of the department. The effect was said to be to nullify rates established or approved by the department to and from intrastate communities and municipalities. The department said in part:

In order to establish, maintain, and preserve an adequate and permanent rate structure it is necessary that the territory wholly within the state of Washington be protected from unregulated and depressed rates between intrastate communities and municipalities on the one hand, and adjoining interstate territory on the other hand.

*Re Rates & Classifications Covering the Transportation of Property (Cause No. 6912).*



### Natural Gas Conservation for Benefit of Domestic Users

THE Michigan commission, in establishing new rates for natural gas, expressed the opinion that the sale of gas for low grade industrial purposes should not be encouraged by a low competitive rate when there is a limited supply as this would deplete the reserve at the expense of the domestic customers. The commission said:

It appears that the public good demands, when a limited supply of natural gas is available to a community, that it be conserved for relatively high grade fuel usages,

such as domestic use, commercial use, and high grade industrial use.

After due consideration the commission is of the opinion that the additional cost which it is now necessary for the petitioner to pay for its natural gas supply should be largely paid by the users of gas who were previously securing it at low rates in competition with lower grade fuel rather than by the domestic customers who are already paying the general domestic and house heating rates.

*Re Gas Corporation of Michigan (D-2934).*



### Return of Six Per Cent Not Confiscatory

SUPREME Court Justice Gilbert V. Schenck, in denying an application of the New Rochelle Water Company for a stay and suspension of a New York commission order reducing rates, refused to uphold a contention that a 6 per cent return was insufficient. It was said that the adequacy of such a return is simply a question of fact and unless the court were to determine that a return of 6 per cent is confiscatory, it should not substitute its judgment for that of the commission as to whether or not it is a reasonable return.

Justice Schenck, in denying a stay,

pointed out that there was no showing that the commission decision was arbitrary or capricious. He said:

To justify a stay of the order of the commission fixing permanent and final rates, it is necessary for this court to find that the order of the commission is unreasonable, arbitrary, or capricious and that great and irreparable loss will result. The commission has considered all of the elements properly to be considered by it in arriving at a rate base. To be sure, there are disputed questions as to values, depreciation, and rate of return, but these are questions of facts for the commission to determine from the evidence. In arriving at the depreciation, the three most generally used methods



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were taken into consideration, characterized as straight-line, observed, and sinking-fund depreciation.

While the opinions of the individual commissioners differ in some respects, the final

result was a unanimous determination of the commission as to the rates and charges to be made by the petitioner.

*New Rochelle Water Co. v. Maltbie.*



### Utility Commended for Not Raising Technical Objections

THE unusual amicability prevailing in a recent rate investigation by the New York commission inspired Commissioner Burritt to special comment and commendation. He said that the attitude and response of the company was in striking contrast to the "traditional legalistic position taken by many similar large public utilities."

Instead of "making extravagant claims for everything possible at the highest estimated cost," he said, and raising many and technical objections to evidence other than its own, the company had throughout the proceeding evidenced a desire to be reasonable and to give consideration to the rights and desires of its customers and of the public.

The company made no objection to original cost as the measure of value, made no claim for going value, accepted a determination on the age-life basis by the straight-line method for both accrued and annual depreciation, and consented to the elimination of customer contributions from the rate base.

The conciliatory attitude of company representatives, aside from saving time and expense, did not go wholly unrewarded, for the commission in passing on certain questionable items on more than one occasion was influenced in its determination "by the reasonable and fair attitude of the company in other respects." *Re Jamaica Water Supply Co. (Case No. 8356).*



### Minimum Charges for Auxiliary Electric Service

THE Massachusetts Department of Public Utilities, after investigating minimum charges for auxiliary or emergency service furnished by an electric utility to persons having other sources of power, sustained a minimum charge based on all of a customer's circuits connected with the utility's lines except circuits not connected with sources of supply other than the company's. The department also sustained a minimum charge applicable to a customer using service only during restricted hours.

A customer obtaining auxiliary or emergency service complained that the minimum charge per kilowatt should be limited to the number of kilowatts of standby service that the customer requests. The company answered that as a practical matter it was standing by for the customer's full plant capacity, that it was bound to furnish service when requested, in case of breakdown being re-

quired to furnish any excess requirements; and that it is unfair to other customers to provide standby service to competitors of the company except at a fair charge to cover the cost of such service. The department said:

With the company's argument we are inclined to agree, at least so far as the company's standby service is connected with circuits connected with the customers' other sources of supply. However, when circuits on customers' premises are in no way connected with sources of supply other than the company's service, we think the customer is entitled to service as to these circuits on available rates, the same as the company furnishes other customers who use no electricity other than that furnished by it.

The charge for restricted service was established to induce customers having their own source of electricity to use the company's service rather than their own during the year, except for those hours specified by the company, daily, except-

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ing Saturdays, Sundays, and holidays, during the months of January, November, and December. A much lower price to the customer was made because of the restriction, but by operation of the demand charge, if one used the service during the restricted hours, the amount

which the customer would have to pay for the following twelve months would be substantially that paid by a customer on an available rate without restriction. This rate was held not to be unreasonable. *Re The Edison Electric Illuminating Co. of Boston (D. P. U. 5094).*



### Optional Rates under Reasonable Classification Not Discriminatory

UTILITY companies may make special or optional rates based on reasonable classifications, and such classifications do not amount to illegal discrimination, it was held by the court of appeals of Kentucky. Moreover, the filing of such schedules with the board of public works of a city, pursuant to the terms of an ordinance contract, is all the notice necessary to be given to a customer.

The court recognized the rule that actual inequalities or discrimination in the character of service furnished by public utilities or in charges therefor are forbidden by law, and that what a utility is forbidden to do directly it may not accomplish by indirection by way of resort to any device or subterfuge leading to the same result. The court, however, was of the opinion that optional rates do not come within the prohibition. It was said in part:

Inequalities and apparent discriminations must necessarily arise out of different cir-

cumstances and conditions, but it is not every discrimination that is illegal. . . . It has come to be generally recognized that electric, gas, or water companies may make special or optional rates if based on a reasonable classification such as users of large quantities of their output, etc.

A customer made the contention that the filing of a schedule with the board of public works in the city hall, which was not recorded, indexed, stamped, or in a bound volume, was not a public record giving notice to consumers and that it was the duty of the utility actually to notify its customers using current for lighting and power purposes of a combined cheaper rate. The court disagreed with this contention, pointing out that the filing of schedules brought to present and prospective consumers information as to rates and conditions upon which they were available, and this being done, it was not essential that individual notice be given to the consumer. *Southeastern Land Co. v. Louisville Gas & Electric Co. (90 S. W. (2d) 1).*



### Other Important Rulings

THE circuit court of appeals, tenth circuit, in holding that a municipality should not be enjoined from issuing bonds to provide funds for the construction of an electric distributing system and power plant, held that a city is not required to obtain a certificate of convenience and necessity before installing a municipal light and power plant. *West Missouri Power Co. v. City of Washington et al. (80 F. (2d) 420).*

The California commission declared that filed tariffs have the force of a statute and may be deviated from only upon the express authority of the commission, and the fact that rules are said to be unenforceable is no justification for their continued violation, since steps should be taken to remove them from the tariffs. *Re Pacific Motor Tariff Bureau et al. (Cases Nos. 3645, 4014, 4029, Decision No. 28519).*